People-Centred Analyses Report

Regional Development, Local Governance and the Quality of Life

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Jovan Pejkovski – “Local Governance”

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Hristina Cipusheva – SEEU, Statistical processing of data and calculation of indicators
Abdulghaffar Mughal – SEEU, Data Processing Advisor and Survey Evaluator
Mihail Peleah – Consultant to report team, UNDP Bratislava

Readers Group (in alphabetic order):
Afërdita Haxhijaha Imeri - UNDP Social Inclusion Practice Coordinator
Andrey Ivanov, Human Development Policy Advisor, UNDP, Europe and the CIS, Bratislava Regional Centre
Guinka Kapitanova, UNDP Programme Advisor
Ljupco Gjorgjinski, UNDP Project Manager
Joachim Nahem, Governance Specialist, UNDP Oslo Governance Centre
Mihaela Stojkoska, UNDP Programme Officer
Miroljub Shukarov, South-East European University
Violeta Petroska - Beska, Ss. Cyril and Methodius University

Project and Report Production Coordination:
Shenaj Hadzimustafa - SEEU

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We are very pleased to present the second issue of the People-Centered Analyses Report that builds upon the first edition which focused on social inclusion and disparities. This edition goes one step further, examining spatial disparities in social exclusion and drawing lessons on how to reduce these disparities through effective regional policies, while deepening the analysis of trends in quality of life which was initiated in the previous edition.

This valuable publication is a result of partnership between the United Nations Development Programme (UNDP) and the South East European University, and as such it contributes towards UNDP’s goals of strengthening civil society, addressing inequalities and ultimately achieving sustainable development.

This issue is based on the findings of an extended survey of 3,000 respondents of a questionnaire, the results of which provide policy-relevant evidence of spatial disparities in quality of life and social exclusion. The report elaborates on the interrelated nature of regional development and the spatial aspects of the quality of life.

It shows that large regional disparities exist in life satisfaction which in turn is largely influenced by age and place of residence, with the young urban population at the top of the happiness scale and the rural elderly at the bottom. In terms of ethnicity, the Roma have significantly lower levels of happiness than ethnic Macedonian and ethnic Albanians, who share equivalent levels of life satisfaction. The research confirms that large income disparities also exist between planning regions. The region of Skopje has the highest level of GDP per capita at more than three-fifths above the average level for the country as a whole. While there are significant regional differences in labor market participation, several regions have a high share of households who have no employed members at all, especially in the Northeast region. The analysis also demonstrates that disparities between regions on issues such as vulnerability in employment, education, access to health and other social services, lead to further differences in satisfaction and levels of exclusion throughout the planning regions.

Therefore, the report concludes that regional development is a complex process, influenced not only by economic considerations but also by perceptions of quality of life, the effectiveness of local governance and the extent of social exclusion and ethnic cohesion at local level. Moreover, the findings of the research emphasize the role of improved polycentric regional planning and the promotion of regional economic development as tools to raise the quality of life in several areas other than Skopje. Rather than just fostering dependency on external demand or inflows from external resources, it argues that different patterns of local and regional development could emerge if an effort is also made to mobilize local endogenous resources. For this to happen, greater attention should be given to policy interventions which prioritize innovation systems, knowledge transfers, and skills development. This approach is also in line with EU policies for regional development focused on diminishing the gap between more and less developed regions.

The purpose of the People Centered Analysis is to generate analysis and public action in response to citizens’ perception of reality. We invite policy-makers and all other relevant stakeholders to take into consideration the valuable statements of their fellow citizens elaborated in this Report.

Mr. Alajdin Abazi,  
Rector of South-East European University

Ms. Maria Luisa Silva Mejias,  
UN Resident Coordinator and  
UNDP Resident Representative
Executive Summary

The report focuses on regional disparities in the quality of life in The Former Yugoslav Republic of Macedonia. It explores the relationship between the quality of life, social exclusion, ethnic cohesion, the framework of local governance, and policies towards local and regional economic development. The survey on which this report was based was carried out in August 2008, and provides a detailed picture of the situation facing households across regions within the country. Overall, the survey shows that there are large regional disparities in life satisfaction, indicating an important role for regional policy in improving the life experience of people living in the most deprived parts of the country.

The mean level of life satisfaction and happiness is greater for those who live in urban areas compared to those who live in rural areas. Urban areas have been a magnet for the migration of the younger and more skilled people from the countryside, leaving behind a more vulnerable and poorer population in the villages. There is a clear need for appropriate policies of rural development to address these issues and for investment in infrastructure and rural job creation in order to make the villages once again attractive places to live.

The survey confirmed a strong correlation between satisfaction with the quality of life and the age of the respondents. Happiness and life satisfaction diminish with age, being lowest for the age group of 55 years and above. This age group is especially vulnerable to long term unemployment, and to poverty due to the low level of state pensions. Decentralisation has transferred responsibility for old people’s homes to the municipalities, and these require additional support both financially and for staff training.

Considering ethnic groups, ethnic Macedonians have equivalent levels of life satisfaction to Albanians, while the Roma population has significantly lower levels of satisfaction with their lives. Levels of happiness among ethnic groups are more diverse with the greatest levels of happiness among ethnic Macedonians.

The survey also revealed significant income disparities, with the richest 20% of the population receiving 42% of the total disposable income, while the poorest 20% receiving just 5%. The proportion of children under age of 15 at risk of poverty is high, especially in the Northeast. Anti-poverty measures should focus on the issue of child poverty. Assistance for large families and single parents should be a priority, as should the development of appropriate family policies and the training of social workers.

Regional differences in labour market participation and unemployment are pronounced, and youth unemployment and long-term unemployment is a serious problem. There is a relatively high share of households who have no employed members at all in some regions, especially in the Northeast. Job insecurity is a further difficulty faced by many in employment. Regional policy should therefore encourage the process of new job creation, especially in the private sector.

Education is an important means to improve life chances, and the enrolment rate in higher education has increased sharply in recent years. However, the report expresses some doubts about the quality of the education received, and notes a continuing skills gap in the labour market. In addition, the survey revealed a rather low level of educational attainment in foreign languages and ICT skills among the adult population. This should be addressed by far greater attention to programmes of lifelong learning and adult education. Access to health services is another important aspect of the quality of life, and the survey shows that there is significant regional variation in access to hospitals and to primary care clinics.

On the basis of the survey findings, an index of the quality of life was developed which revealed that the highest quality of life in the country is enjoyed by residents in the Skopje region, while the lowest quality of life is found in the Northeast region of the country. This finding emphasises
the relevance and importance of developing regional policies to raise the quality of life in the more deprived regions in the country.

Ethnic Cohesion

The survey also investigates the impact of ethnic relations of the quality of life. The findings indicate there are grounds for optimism due to the positive net expectations of future improvement in inter-ethnic relations in many regions and in the country as a whole. However, it will take time for this optimism to reduce the fear that ethnic conflict may re-emerge in the future.

The survey has emphasised the specially disadvantaged position of the Roma community which suffers from a relatively poor quality of life, low incomes, high levels of poverty and inequality. The government should continue with its efforts to ensure the improvement of the living conditions of the Roma population, especially through its educational and employment policies.

The survey also showed that people's real fears of potential conflict in the areas where they live are far more muted than at national level. What is needed is a serious attention to solving local problems, improving the institutions of local governance, involving people in shaping the future direction of local economic development, and stressing the advantages of cultural diversity and inter-ethnic collaboration in building vibrant and cohesive local communities.

The devolution of power from the central government to the local level mandated by the Ohrid Framework Agreement provides an opportunity for improvements in policies towards inter-ethnic relations. Such policies should involve inter-municipal cooperation to build trust between the diverse ethnic communities in the country. The survey demonstrated that there are many signs of interethnic cooperation at local level, with relatively high levels of inter-ethnic business relations in regions such as Polog, and the Skopje region, where the ethnic communities are diverse. Such cross-ethnic business links should be supported by the development of multi-ethnic business associations and networks.

Local Governance

Starting in 2005, the country embraced an ambitious decentralization agenda. Some services which used to be under the competency of the central government have now been transferred to the competencies of the municipalities. This transfer has implications for the quality of life, since it implies a changed distribution of public services on a spatial level. With the enactment of the Laws on local self-government and on the territorial organization of the country, there has been a shift of focus towards local economic development.

The survey enquired into expectations about how life in the municipality would change in the future. Considering the net expectations for improvement in the respondents’ quality of life in their municipality in the six months following the survey, significantly more expected an improvement than expected deterioration. The net expectations for improvement were highest in the Northeast, Polog and Vardar, and lowest in the Southeast and the East. Overall, people's expectations appear to be fairly optimistic.

The main issues that worry people about their local neighbourhoods are noise, air pollution, lack of access to recreational or green areas, and water quality. The most worrying issue is the lack of access to recreational or green areas, especially in the Skopje region and Vardar. Only a minority of people consider that the quality of health services, education, public transport, and social services, which are under the responsibilities of local self-government, are at a high level.

Overall relatively few respondents considered that the local council was doing a great deal to improve the conditions in the municipality. The least satisfactory area of performance was in relation to the involvement of residents in decision making, the effort of councils to act on
the concerns of local residents, and efforts to promote the interests of local residents. Many respondents considered that their council was doing a great deal to make their area cleaner and greener, while a relatively large proportion also considered that councils perform well in relation to improving town centres, making their area safer, making their locality a better place to live, and in being neither remote nor impersonal.

Hardly any respondents from any region considered that they had much influence over decisions made by local municipalities. Generally almost one third of the respondents were very dissatisfied with the opportunities for participation in local decision making. This finding suggests that there is a need for greater participation in local democratic decision making. Local policy makers should strive to develop new ways of contacting people through offices, internet, and media, receiving their comments, suggestions and proposals for improvement of local services and the local quality of life.

An important element of local economic development is the promotion of entrepreneurship and the development of small private businesses which can create employment and act as a motor for local economic development. More than one eighth of respondents declared that they are in the process of starting a business. There is a large gender differences in the intention to start a business, with two thirds of those intending business start up being men, and correspondingly only one third being women.

The main difficulties that people face in starting a business are financial, with almost three-quarters reporting that difficulties related to finance were a real problem. However, few people declared that the local municipality had given them any assistance in starting their business. This relatively low level of assistance should be improved in order to support economic development and job creation at the local level.
The focus of this report is on regional and local disparities in the quality of life in The Former Yugoslav Republic of Macedonia. As in most transition economies, the introduction of market competition and privatisation has had mixed effects on social welfare. One of the more serious aspects of this is the growth of disparities in living standards and the quality of life on a territorial level. While some locations have prospered from the new opportunities presented by the opening of markets, others have been left behind and have suffered from adverse aspects of the restructuring and change which has accompanied transition such as deindustrialisation, outward migration of many young and skilled people, environmental degradation, and the deterioration of public services. The previous edition of People Centred Analysis concentrated on policies designed to tackle social exclusion. This edition takes this a step further by examining spatial disparities in social exclusion and drawing lessons for regional policy to reduce these disparities, while continuing to follow the trends in the quality of life which were initiated in the previous edition. This issue is based on the results of an extended survey which includes selected questions from the previous People-Centred Analysis survey. The survey provides policy relevant evidence on spatial disparities in the quality of life and social exclusion. Specifically the report aims to:

- Gauge people’s perceptions of the society in which they live
- Assess the imbalances of the economic situation which different sub-groups face in different regions and localities
- Analyse perceptions of inter-ethnic relations at sub-national level
- Assess the impact of local governance on the quality of local public services

At a conceptual level, the report elaborates on the inter-relationship between regional development and spatial aspects of the quality of life. It emphasises that regional and local economic development is influenced by the quality of life, the extent of social exclusion and ethnic cohesion at local level, and the framework of local governance, while at the same time that people’s quality of life and their experience of social exclusion has a strong spatial dimension.

The remainder of the chapter is organised in three sections. The first section sets out the concepts of the quality of life and its relation to happiness studies and to the concept of social exclusion, and a brief overview of the key issues of the quality of life and social exclusion is presented. The following section outlines the regional patterns of the quality of life in transition, and presents a summary of regional development issues and policy in the country. It draws out implications for regional development policy, and in particular the proposition that policies to improve the quality of life are necessary elements in promoting economic development at a local and regional level. The third section surveys recent debates on regional policy. It shows that the key concepts have changed from early laissez-faire pro-market theories to support for state-managed financing of infrastructure and industrial subsidies. More recent thinking has emphasised the key importance of local ‘endogenous’ capabilities, such as entrepreneurship, innovation systems, the knowledge economy, and skills. This section further highlights the role of inter-ethnic relations and of the institutions of local governance in relation to regional development, and identifies how the institutions of local governance can underpin the accumulation of social capital for development at a local level. Finally, contemporary EU regional development policy in candidate countries is outlined. Since The Former Yugoslav Republic of Macedonia is a candidate for EU membership, the role of the EU accession process is a key dimension of policy. The challenges presented by the EU accession process in relation to the development of regional policy are briefly discussed.
Quality of Life, Happiness and Social Exclusion

Quality of life is a broad concept concerned with the overall well-being of individuals within society (Fahey, Noland and Whelan, 2003). It goes beyond the ‘living conditions’ approach which tends to focus solely on the material resources available to individuals. Quality of life is a multi-dimensional concept which requires the description of several life domains and their inter-dependence. Consequently, quality of life is measured by subjective as well as objective indicators. When linked to objective living conditions, analysis of subjective and attitudinal perceptions give a more complete picture of an individual’s quality of life. The approach emphasises an individuals’ whole life circumstances, and so it takes into account employment status, education attainment and skills which determine income earning opportunities, health status and access to quality health care and housing conditions. Finally, the institutions of local governance which affect the delivery of public services are also important determinants of people’s quality of life. Key factors determining people’s level of satisfaction include having an income, enjoying a satisfactory family life, and being in good health. People who are less educated, in ill-health, or unemployed express lower levels of satisfaction with their quality of life. Perceptions of the quality of society, including factors such as trust in people’s fellow citizens and in the benefit system, also affect levels of satisfaction.

In 2003, the European Foundation for the Improvement of Living and Working Conditions carried out a major international survey of the quality of life in Europe (European Foundation, 2004, 2005; Daly 2007). The European Quality of Life Survey (EQLS) was carried out in 2003 covering 28 countries. It investigated the key dimensions of quality of life and its determinants. Within this framework the quality of life is measured through people’s perceptions of their own subjective well-being, and evaluated alongside their economic situation measured by their income levels. Subjective perceptions of well being are important additional indicators of the quality of life, especially in transition economies in which it is often difficult to gather accurate data on individual or household incomes. The EQLS provides an in-depth insight into the quality of life in European countries in all these dimensions, and offers a benchmark for comparing the quality of life in The Former Yugoslav Republic of Macedonia. The main findings and conclusions of the EQLS survey are set out in Annexe 2.

The measurement of quality of life is of great interest in the countries in transition in which there are large informal economies and where the quality of the data on incomes and employment is poor. In these circumstances, the subjective measurement of life satisfaction may give a better picture of the real situation facing people than does the poorly measured income statistics. An early study of economic well-being in Eastern Europe between 1991 and 1995 by Hayo and Seifert (2003) found that subjective satisfaction was influenced by age, education, relative economic position and unemployment, but that gender and marital status had little effect. In a more recent study, Sanfey and Teksoz (2007) analysed data from the World Values Survey which measures subjective perceptions of personal satisfaction on a 10-point scale, and found that people in transition countries have lower life satisfaction than those in non-transition countries. On average, people in transition countries with higher incomes, with higher levels of education, and which are self-employed, are more satisfied with their lives than others. Also, people are more satisfied with their lives in transition countries in which standards of economic governance are higher, and where inequality is lower.
Closely related to the quality of life is people’s experience of happiness. Recent research on the economics of happiness has shown that subjective perceptions of happiness can be used to reflect real well-being. The main factors which determine levels of happiness in adult life are family relationships, the individual’s financial situation and employment status, relations in the community and with friends, health, personal freedom, and personal values (Layard 2005). Since satisfaction with life and the experience of happiness are closely related, these findings have direct relevance to the study of the quality of life addressed in this report.

In 2006 the European Bank for Reconstruction and Development carried out a survey on Life in Transition which found that whereas a majority of people in the East Central European states and the Baltic States are satisfied with their lives, the picture is dramatically different in the countries of South East Europe where levels of unhappiness are relatively high (EBRD, 2007a, 2007b). People in the country were particularly unhappy, with almost 50% of people dissatisfied with life compared to less than 30% who were satisfied with their lives. In most SEE countries with the exception of Albania, people felt that their living standards were worse than they had been in 1989. In The Former Yugoslav Republic of Macedonia, around 50% of people felt that their living standards had fallen, and over 70% felt that their level of household wealth had fallen since 1989. Considering the views on the overall economic situation in 2006 compared to that in 1989, over 80% of people felt that the situation had worsened, a proportion higher than in any other transition country apart from Bosnia and Herzegovina, and a higher proportion even than the transition countries of Central Asia.

Not everyone enjoys the same quality of life however, and a particular concern of policy makers is often with those who experience the lowest quality of life in the society. The concept of social exclusion focuses on those vulnerable people at the bottom rung of society who are cut off from normal social interactions and enjoyments. These vulnerable groups often find it difficult to change their social position by their own efforts, because they lack access to critical resources which could underpin upward social mobility. Social exclusion is a process where individuals are pushed on the margins of the community and do not participate fully in society due to their poverty, lack of basic skills, discrimination, and detachment from social networks within the community. Social exclusion can be experienced in both market and non-market dimensions. The market dimension results in low income and material deprivation and is closely linked to differential access to employment opportunities. The presence of various forms of discrimination, including ethnic discrimination, can exacerbate income inequalities on the labour market and may give an ethnic dimension to social exclusion. The non-market dimension of social exclusion focuses on the public sector. Differential access to public services such as health, education and local community services are significant factors in generating social exclusion. It is especially in this dimension of public services that weak institutions of local governance drive social exclusion at the local level. The indicator of vulnerability which is adopted in this study takes into account both these dimensions.

Poverty is one important dimension of social exclusion. Poor people are often excluded and marginalized in economic, social, cultural activities. Three types of poverty can be distinguished: absolute, relative and subjective. Absolute poverty is associated with existential needs, relative poverty with a socially determined benchmark, whereas subjective poverty reflects individual perceptions of their incomes. The latter is typically at a higher level than the absolute and relative measures of poverty (see chapter 2). Recently, studies of social deprivation have begun to look beyond income-based conceptualisations of earlier studies of poverty, to embrace the complexity
of social exclusion and vulnerability, taking into account quality of life factors such as individual access to health, education, and other social and community resources.

Social inclusion policies seek to protect people threatened by poverty and social exclusion by providing equal opportunities and support for active participation in employment and education, and opening up access to public services in fields such as housing, health, and other public services. Such policies seek to enable increased participation in the local level of decision-making that affects people’s lives so that all may have equal opportunities to participate in institutions of local governance irrespective of gender, age, social background, ethnicity, or ability (Joint Report on Social Inclusion, UNDP 2006).

Quality of Life and Social Exclusion in The Former Yugoslav Republic of Macedonia

The Former Yugoslav Republic of Macedonia has passed through a long period of transition that has brought about radical changes in society. These changes can be noticed in every aspect of life. However, according to the findings of surveys such as those mentioned above, many people are not happy with the changes that have taken place, and are dissatisfied with their lives. Results of the survey show that even among the higher income classes many people are dissatisfied and unhappy and do not see many possibilities for a better future. This cannot be associated with poverty, but rather the explanation should be sought in the domain of psychology, and feelings of insecurity.

Nevertheless, there are significant income inequalities which underpin large differences in the quality of life of the population across income groups. In this respect, the country is faced with a problem that is greater than in the EU Member States. The Millennium Development Report for 2005 demonstrated the severity of the problem that the country faces. It showed that many indicators of social exclusion were at extraordinarily high levels in 2003. For example, the Gini coefficient stood at 0.29, while more than one quarter of households had jobless members, and two fifths of the population had only a low level of education. However, the large informal economy hinders accurate estimates of the real extent of unemployment and income inequality. According to official governmental sources and the World Bank, more than 45% of GDP is produced in the informal sector. Although it helps to mitigate social dissatisfaction, the existence of this sector, makes it difficult for the Government and the NGO sector to deal with economic and social problems through legal measures (Shukarov, 2004). Social exclusion and poverty are severe problems. About one quarter of the population lives below the poverty threshold, defined as having an income lower than 60% of the average revenue of households. The most vulnerable segment of the population is the Roma, more than 50% of whom are living below the poverty threshold.

From the aspect of social exclusion, there is a vicious circle between unemployment, poverty and social isolation. An initial spell of unemployment may lead to a lower standard of living and an increased risk of poverty. This in turn may increase the difficulty of job search, and may eventually lead to long-term unemployment, social exclusion and individual stigmatization (UNDP, 2006). The vicious circle is closed when social exclusion reduces the chances to obtain information about job vacancies. Thus, social exclusion often prevents poor people to actively participate on the labour market. The level of education also has an effect on social exclusion because more educated

1The Gini coefficient is a measure of inequality of incomes which has a value of 0 for perfect equality and a value of 1 for the greatest level of inequality.
people are more able to access and process information about vacancies, while mobility also increases with the level of education. Moreover, vulnerability associated with poverty is largely related to education. Among the unemployed, the largest groups are the people with educational level up to primary school (54%) and secondary education (33%), whereas 6% of the unemployed lack a complete primary education (UNDP, 2008). Investment in education may therefore help to reduce the level of social exclusion. However, it is important to note that the education provided should be effective, and should actually increase the expertise of the young generations, rather than just providing them with formal qualifications and education of low quality. It is particularly important to ensure that teaching staff are sufficiently qualified and motivated to give their best in the teaching process. In recent years, many private universities have enrolled as many students as possible and offer easy studies to obtain a diploma. As a consequence the gross enrolment rate has risen dramatically, to levels well above those in more developed EU countries (see chapter 2). This implies that there should be better regulation of providers of university education with government agencies establishing the basic criteria and requirements which they should fulfil. Universities which do not follow those standards should be officially named as unreliable, with a view to improving quality standards in higher education.

In order to reduce the high levels of unemployment the government should adopt effective measures to encourage job creation, especially for the long-term unemployed and young unemployed people. Making numerous unsuccessful attempts to find a job demoralizes people and creates an impression that the community has discarded them. As a consequence unemployed people often become discouraged, losing hope that their efforts to find a job could change anything. Youth unemployment is especially problematic leading to anti-social behaviour and exposing young unemployed people to the temptation of criminal activities. Older long term unemployed people often withdraw from the labour market altogether (UNDP, 2002). On the other hand, high unemployment encourages people to apply for a job at every new competition which puts downward pressure on wages and salaries. This means that active labour market measures should be promoted and the unemployment register should reflect only those who are genuinely seeking work and exclude those who only report as unemployed in order to be eligible for other entitlements such as social and health insurance.

Regional Development Policies

The quality of life has a spatial dimension which is influenced by the regional development policies adopted by the state. In recent years, conceptualisations of regional development policy have moved beyond models in which external factors, such as allocations of regional aid from central government, are seen as the driving force of regional development, and moved towards new perspectives which view regional development as a process which mainly depends on the mobilisation of local resources. The creation of local knowledge-based economies, learning regions, and regional innovation systems are seen as key drivers of local economic development, which in turn depend significantly on quality of life factors such as access to high quality education and health services. Moreover, institutions which support local economic development, such as regional innovation networks, are unlikely to emerge at local level if the quality of life is undermined by an absence of trust, weak social networks, and high levels of ethnic tension and social exclusion. Regional development is therefore strongly influenced by the local quality of life.
Differing Approaches to Regional Development Policies

These institutional and quality of life influences were hardly recognised in traditional approaches to regional policy. According to orthodox neo-liberal theories of development, regional convergence comes about through free market competition and mobility of capital and labour (Pike, Rodriguez-Pose and Tomaney, 2006). In this view, intervention is only justified to smooth the operation of market forces by improving the ‘investment climate’, or to put right so-called ‘market failures’ related to imperfections in the market mechanism. The theory also emphasised the dangers of ‘government failure’, in which the state is captured by regional interests, or by large firms with strong regional connections. Under such circumstances, the state may favour some regions over others, and regional policies may diminish rather than enhance the self-correcting forces of the market.

An alternative traditional approach to regional policy has looked more favourably on state intervention to promote regional development. This approach has emphasised that markets may themselves create regional divergence, if more rapidly growing regions attract resources away from lagging regions as a consequence of the unfettered operation of market forces (Dixon and Thirlwall, 1975). The theory has had a strong influence on regional policy, encouraging governments to establish regional development funds and agencies to counteract the negative effects of market forces. For example, this approach underlay the efforts of the Italian Cassa per il Mezzogiorno in Italy, as well as the Yugoslav Federal Fund for Less Developed Regions, in the 1970s and 1980s. It also underpins the activities of the contemporary European Regional Development Fund.

In contrast to these two traditional approaches, more recent ‘institutional’ theories emphasise the importance of local resources as the key factor in regional development, rather than fiscal transfers from central government funds and agencies. Local institutions are seen to have a strong influence over the pattern of economic development. Much interest has been focused on informal institutions and networks which underpin trust between economic actors. High trust relations reduce the transaction costs of doing business, and thus promote local economic growth. In contrast, low trust environments increase the need for formal contracts, contract monitoring, and recourse to sometimes ineffective judicial systems, all of which increase the costs of doing business. These institutional theories emphasise the importance of social relationships and local public-private partnerships as factors which support local economic development. Thus, factors such as friendly inter-ethnic relations and cohesive systems of local governance are likely to have a positive impact on economic development. Regions with a high quality of life are more likely to provide an environment in which such high trust relations can flourish. A well functioning and transparent judicial system, unaffected by political or business interests, is a further essential precondition for effective economic development (Barro, 1998). The clear definition, registration and management of property rights can also help to stimulate investment, which will promote economic growth (De Soto, 2000). Of special importance is the belief in the future economic benefits of an investment effort made today for a higher return and well-being in the future. If people believed today in a better future, they would increase their own efforts and commitment to development (Easterly, 2002).

Not surprisingly, institutional approaches have significant implications for regional development policy. Policy implications emphasise the importance of promoting business networks to underpin trust relationships. Industrial policy should support the growth of small
firm networks and clusters, regional innovation systems, and the development of the skills of the local labour force (Storper and Scott, 1988). Although this approach underpins the most recent formulation of EU regional policy, it is not dominant and is accompanied by strong emphasis on infrastructure spending and top-down governance systems.

Institutional theories of local and regional growth place great emphasis on a region’s ability to mobilise local resources. In order to do so, the institutions of local governance should be well developed. Local stakeholders should be willing and able to collaborate with one another in the pursuit of a common goal of local development aimed at improving the quality of life in the region or locality. Local governance is therefore a key factor influencing the quality of life at local level. It refers to the network of stakeholders who influence decision making about the mobilisation and distribution of public goods at a regional or local level. The concept of governance encompasses a broad set of social relations which is far wider than the formal institutions of local self-government. While the institutions of local self-government and the political parties which control them are major influence over local resource use, other actors including small businesses and entrepreneurs, trade unions, NGOs, and external actors such as the central government, foreign investors, foreign donors and consultants also have various degrees of influence over local decision making. Local governance can be adversely affected by ethnic tension, which may hinder the mobilisation of resources for local economic development. Moreover, where local institutions are weak; the influence of external actors can be correspondingly great. In such a situation, it is often difficult to build local partnerships that can underpin and support the process of local economic development.

Regional Patterns in the Quality of Life in Transition

Large regional differences in incomes per capita emerged in transition economies in the 1990s. These changes were driven by the spatial impact of restructuring following privatisation, the localisation of SME development, spin-offs from FDI, and the impact of foreign trade on export industries. In addition, regional differences in unemployment rates are generally greater in transition economies than in the West (Boeri and Scarpetta, 1996). These differences have persisted over time, and would be even greater if many unemployed people had not dropped out of the labour force. Regions with more diversified economies and more developed infrastructure, including capital cities and larger urban areas, tend to have better labour market outcomes than elsewhere (Huber, 2007). Agricultural regions with poor infrastructure have experienced the highest rates of unemployment. Persistence in unemployment differentials can partly be explained by low rates of migration and labour mobility, in part connected to the underdeveloped housing market (Fidrmuc, 2004; Bornhorst and Commander, 2006). Regional differences in labour force education and skills explained much of the regional variation in incomes and unemployment in some East Central European transition countries in the 1990s (OECD, 2000).

Four main factors underlay the increase in inequalities during the transition period. Firstly, privatisation had a strong spatial dimension due to the earlier location decisions of the central planners. Regions with a more diversified economic base have been more able to successfully restructure their local economies, whereas locations reliant on a single industry have been less able to adapt (Petrakos 2001). Secondly, restructuring in transition economies has led to an increased share of services. Larger urban areas, especially capital cities, benefit more from this
whereas rural areas tend to be left behind as few service industries locate there. However, some types of services have a more even spatial spread, including public services funded by central government, such as schools and hospitals dispersed throughout the country. Thirdly, foreign direct investment tends to generate a polarised pattern of development by concentrating in capital cities due to their better business infrastructure, telecommunications, international transport linkages, and larger pools of skilled workers (Petrakos 2001). Finally, regions closer to the EU are likely to have higher foreign demand for exports, while countries further from the main EU production and consumption areas benefit less than those closer to them.

Furthermore, the opening to market forces has encouraged the excessive growth capital cities, and has led to the relative decline of peripheral regions. In Hungary 42% of GDP was concentrated in the capital city region, compared to an OECD average of just 25%. Römisch (2001) demonstrated the large disparities in GDP per capita between the capital city regions and the rest of the country in all East Central European (ECE) transition countries. A study of the quality of life in Croatia in 2006 found that equivalent household income was above average in the capital city of Zagreb (UNDP 2006). Förster et al. (2005) demonstrated that the inequality of incomes in the ECE countries in the 1990s was even greater within regions than it was between regions. In particular, inequality within the capital city regions was often greater than regional inequalities between regions across each country as a whole.

Education levels also vary across localities. In the New Member States, education levels are lowest in agricultural areas and highest in capital cities and business service regions, while the share of low-skill manual workers is higher in agricultural and industrial regions than elsewhere (Landesmann et al., 2004). Workers in these areas risk losing their jobs as transition unfolds, and need retraining to find jobs in new high-skill industrial and service industries.

Spatial inequalities in health are a further factor driving regional differences in the quality of life. Regional imbalances in health outcomes are even more pronounced in transition countries, especially in the Western Balkans, where public resources are depleted and where health insurance systems are relatively ineffective and do not encompass the uninsured families. Governments often try to correct for these demand side differences by redistributing health care resources across regions. In Albania for example, the distribution of general practitioners is highly uneven, and to achieve an equal distribution more than one tenth of doctors would have to be reallocated to under-served districts (Theodorakis et al., 2006).

In many transition economies, including most of the Western Balkan countries, public housing was privatised early in the transition process. This reduced the ability of the local authorities to provide housing solutions for vulnerable groups. In many places, informal housing has been established, often of low quality. The spatial distribution of housing resources is largely determined by historical patterns, but in recent years most new housing construction has been concentrated in the more prosperous urban areas. Vesselinov (2004) argues that the transition has involved a new form of housing inequality. Based on a study of housing conditions in Bulgaria she argues that a regime of ‘primitive diversity’ has emerged under which housing inequalities have increased due to a lack of enforceable zoning regulations and control.

A further factor, pertinent to the Western Balkans case, is the role of ethnicity, and ethnic discrimination in the labour market. The wars and conflicts of the 1990s have left a legacy of ethnically divided states in which minority groups and refugees have noticeably inferior labour market outcomes (Castel-Branco, 2006). The state of inter-ethnic relations is a key factor influencing
the way in which quality of life is shaped at local level. Differences in the nature of inter-ethnic relations at local level strongly influence the degree of social cohesion.

Overall the evidence supports the theories of regional development which emphasise the inequalising effects of market forces. In a careful study of regional inequalities in Slovakia, Balaz (2007) shows that regional differences in incomes are related to urbanisation and foreign investment, as well as to stocks of human capital measured by levels of university educated workers. The policy implication is that less developed regions need greater powers to deliver high quality education to local people, to improve infrastructure to attract foreign investment, and to create institutions supportive of endogenous local economic development. Institutions of local governance may either assist or hinder the emergence of local development processes which could enhance the quality of life and promote social inclusion at a local level.

**Local and Regional Development in the Former Yugoslav Republic of Macedonia**

Although the Constitution asserts that “The Republic shall promote the economic progress and shall see to a more balanced spatial and regional development, as well as to a faster growth of the economically underdeveloped areas” (Constitution, 1991), in practice pre-existing regional inequalities have intensified during the transition process. Economic inequalities have been exacerbated by non-economic factors such as declining confidence and trust, and increased levels of fear and pessimism since the 2001 war, as well as from the tense socio-psychological situation present in recent years due to the high levels of uncertainty about the future. Such uncertainty provides negative incentives for productive investment, underpins a low level of saving in the commercial banks, and drives a high level of tax evasion.

Despite the widespread support of the citizens of the country for EU integration, the slow rate of progress in this, as well as the continuation of the restrictive visa regime, has contributed to feelings of uncertainty among the majority of the population of the country of all backgrounds. The country has suffered from an extremely long transition period, with structural shocks that have increased the feelings of hopelessness generated by the adverse international political environment including the delays in resolving the dispute with Greece over the name of the country, as well as the slow progress with both NATO and EU membership. The accelerated growth rates of real GDP in recent years have not changed this gloomy situation and pessimistic feelings about the future. The pessimism is not uniformly felt however, and is more prevalent among the mainly ethnic Macedonian Christian populations whether Orthodox or Catholic, whereas optimism is more present among the mainly ethnic Albanian Muslim population (see chapter 4). This feeling seems to promote a greater initiative and private enterprise among the latter group even though they tend to inhabit less developed parts of the country.

A major factor in individual prosperity is unrelated to successful economic performance, but rather to connections with political parties and state officials. There is a strong feeling that individuals can only prosper and solve their family’s financial issues through political engagement. This is why the elections at all levels have a high emotional charge, and are considered as an existential issue. As a result, the perception of widespread corruption prevails, and it is especially targeted at persons with important offices in the state including politicians, judiciary, teachers, and civil servants. This feeling is even more interesting given that surveys (UNDP, 2006; UNDP 2008) have shown that although few respondents were directly asked for a pay-back, the majority
of respondents “have heard” that corruption happens very often, and that it is often unavoidable
in order to satisfy important personal or business needs.

Since the onset of the transition process at the start of the 1990s, the country has experienced
relatively low rates of economic growth vis-à-vis almost all of her neighbours. Following a severe
recession in the early 1990s and subsequent slow growth in the post-conflict period between
2001 and 2004, economic growth increased to an average of around four per cent from 2004 to
2007. According to the National Bank of Macedonia, the GDP growth rate in 2008 was even higher
at over five per cent. However, the living standards remain far below those in the EU. In terms of
purchasing power parity,\(^1\) GDP per capita is only 25% of the EU average. It also has relatively high
regional disparities, with GDP in the capital city Skopje at almost 50% of the EU average, far above
the rest of the country.

In The Former Yugoslav Republic of Macedonia, the regional structure is characterized by severe
disproportions in the levels of economic development. The country has experienced a mainly
monocentric development pattern, in contrasts to official policy declarations which have usually
emphasised a polycentric approach to development. In recent years eight planning regions have
been defined at NUTS 3 level, each of which has its own specific characteristics and development
problems. The populations differ in their capabilities and in the extent of their capacity for private
enterprise. Hence, it is normal that there are differences in the quality of life of different settlements
and municipalities. In policy discussions, the concepts of “equality” and “equity” are often used, but
the main emphasis is on the concept of “opportunities” that the community should offer (Uzunov,
2004). In this context, it is worth mentioning the politically differentiated actions taken by the
central government, where the “opportunity” for equal development is supposed to be given
to all the regions equally, rather than selectively, i.e. according to the partisan affiliation of the
elected mayors and members of the municipal councils.

The capital city of Skopje imposes itself as the principal and unique pole of development
for the whole country, as well as for the Skopje region. The other regions have secondary towns
(Pelagonia– Bitola and Prilep; Vardar– Veles and Kavadarci; Northeast– Kumanovo, Kratovo and
Kriva Palanka; Southwest– Debar, Kicevo, Ohrid and Struga; Southeast– Gevgelija and Strumica;
Polog– Gostivar and Tetovo; and the East– Kocani and Stip) that are poles for their development
and attractiveness. However, none of these other urban centres can compete with Skopje. The
urban population in the Skopje region equals all the rest of the urban population in the country,
and the second largest city Bitola has only about 80,000 people. Skopje is a magnet that attracts
the inhabitants from all the other regions in the country, with the largest concentration of
activities in both the private and the public sector. Consequently, the city of Skopje is the main
generator of jobs, which provides a magnet for investments and business activities of the private
sector, both domestic and foreign. The employment possibilities created by the concentration of
business activities and investments in the Skopje region is a force attracting the population from
the surrounding villages, the other neighbouring regions (Polog, Northeast and Vardar regions),
and even from the wider Southern Balkan region (Kosovo, Southern Serbia and Albania).

There are large disparities in levels of economic development of the municipalities. One part
of these differences originates from the inherited concentration of activities in urban settlements,
especially in the city of Skopje, and another part originates from the nature of the predominant
activities and from the effects of the process of transition. The differences in the level of
development lead to ever greater degrees of concentration and agglomeration, which further

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\(^1\) According to the Statistical Office, Notification No. 3.1.8.04, which explains the methodology for
calculating the PPP (Purchasing Power Parity) aimed at showing the actual purchasing power of the GDP
expressed in Euros and the purchasing power of the Euro in different European countries.
widens economic differences among municipalities and regions (Janik, 2005). This is particularly obvious when comparing the city of Skopje with all other urban centres, and the differences become even more drastic when comparing Skopje with rural settlements. The long period of transition has increased the concentration of economic activities and resources in Skopje, while many settlements in the rest of the country have become impoverished. As a result, the reanimation of the villages and of the poorer parts of the country has become a priority for development. In 2007, a Law on Equal Regional Development was passed which sought to resolve the problem of delayed development of some regions in an institutional manner. The strategic document on regional development sets out the principles, goals and priorities of regional development, as well as the measures and instruments for promoting development. A Regional Development Strategy is being formulated and there is a plan to develop a Strategy and a three-year Action Plan in which the policies and financial aspects for boosting the regional development will be specified. A Council for Equal Development has been established with a mandate to coordinate regional development policy, and a Council for Development of the Planning Regions has been established as a body responsible for harmonization and implementation of the policy on development of each planning region. The former Agency for Economically Underdeveloped Areas has been transformed into the Regional Development Bureau.

The main goals of regional development policy are:

- Equal and sustainable development across the whole territory of the country based on the model of polycentric development;
- Reduced disparities between and within the different planning regions to improve the quality of life of all citizens;
- Increased competitiveness of the planning regions by strengthening their innovation capacity and optimizing the utilization of their natural wealth, human capital and economic potential;
- Preservation and development of the special identity of the planning regions;
- Revitalization of villages and development of the areas with specific development needs; and
- Support for inter-municipal and cross-border cooperation of units of local self-government.

The law stipulates that at least 1% of GDP will be devoted to encourage equal regional development, loan guarantees will be issued, and assistance will be provided with regard to security for credits, tax exemptions, subsidies, use of money from EU funds and other international sources. It has been specified that the funds for encouraging equal regional development should be allocated as follows: 70% for financing projects for developing the planning regions, 20% for financing projects for developing the areas with specific development needs, and 10% for financing rural development projects. For rural development, urban municipalities should provide a co-financing share of 50% in order to be able to use these funds, whereas rural municipalities are free from such an obligation.

The Potential Impact and Limitations of EU Regional Policies

The EU has a strong interest in regional development and social inclusion, and has developed a clear policy focus on diminishing the gap between more and less developed regions of the EU. It is premised on the view that redistribution between richer and poorer regions in Europe is needed to redress the inequalising effects of market-based economic integration. EU regional policy is delivered through the two ‘structural funds’- the European Regional Development Fund
(ERDF) and the European Social Fund (ESF). The ERDF finances projects concerned with research, innovation, environment, and infrastructure in the least developed regions. The ESF funds projects on employment, quality and productivity at work, and social inclusion, in line with the European Employment Strategy. Overall, EU regional development policy seeks to counteract the tendency of market forces to generate disparities among countries and regions. Regional disparities within the EU are measured in terms of per capita incomes, and those regions with per capita income below 75% of the EU average are eligible for support form the EU structural funds.

The New Member States are among the main beneficiaries of the policy. For example, a regional development programme for Bulgaria, which has a GDP of just 28% of the EU average, has been financed by the ERDF for the period 2007-2013 with a budget of €1.6 billion. Its objectives are to reduce the socio-economic differences between Bulgaria and other EU Member States, to make living and working conditions in Bulgaria more attractive, to develop tourism potential, and to stimulate investment in smaller municipalities. The main bulk of the funding is for the development of cities and ‘growth poles’ by improving social infrastructure and housing, modernising urban transport, promoting economic activities in urban areas, and making the urban environment more attractive for living. A smaller part of the available funding is for local development for municipalities which lie outside the more congested urban areas and which need investment in industrial, educational and health infrastructure.

Concern about the adverse impacts of the Single Market is also evident at the level of individual citizens who fail to benefit from the Single Market and who are at risk of poverty or are socially excluded from participation in jobs, housing, and education. Social inclusion policies, funded through the ESF, are designed to address these issues through projects which cover vocational training and employability, working conditions, address labour market discrimination on the basis of gender, race, and ethnicity, and relate to youth unemployment and long-term unemployment. Social inclusion policies are an important component of the EU accession process, and Candidate States are required to prepare a Joint Inclusion Memorandum which sets out the social situation in the country, the extent of social exclusion, and the proposed policies to promote social inclusion. It acts as a strategic document guiding social policy and access to EU funds.

The structural funds will only be open to participation by The Former Yugoslav Republic of Macedonia when it becomes an EU member. In the meantime, the country will participate in the Instrument for Pre-Accession (IPA) programme when it comes on-stream. The IPA programme has five components covering transition assistance and institution building; cross-border cooperation; regional development; human resources; and rural development. As a candidate country, The Former Yugoslav Republic of Macedonia will have access to all five of these components. Transition assistance and support to institution building will be aimed at supporting the adoption of the EU acquis communautaire, but capacity building in the fields of local governance, regional policy, and social cohesions are also envisaged. IPA also supports the continuing cross-border cooperation (CBC) programmes with Greece and Bulgaria, and aims to develop new programmes with neighbouring countries including Albania. The CBC projects are delivered at NUTS 3 level, and so will involve the new ‘statistical’ planning regions. Projects with Greece will involve the Southeast, Vardar, and Pelagonija, while projects with Bulgaria will involve the regions of Northeast, East, and Southeast. New CBC projects with Western Balkan neighbouring countries are also envisaged, predominantly with Albania, which will cover issues such as environmental

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2According to the Statistical Office of the RM, Notification No. 3.1.8.04, which explains the methodology for calculating the PPP (Purchasing Power Parity) aimed at showing the actual purchasing power of the GDP expressed in Euros and the purchasing power of the Euro in different European countries.
protection, infrastructure for border crossings, transport and the environment, the economic development of border regions, and people to people actions.

IPA aims also to assist the public administration for its eventual participation in EU regional development policies. Support under IPA component III will be focused on transport and environmental investment, especially improving waste water treatment. IPA component IV will support the implementation of the employment strategy, and aims to assist unemployed young people, women and the long-term unemployed into work, and to tackle the informal labour market. The education element includes improving access for ethnic minorities through modernising the education and training system; enabling access to quality education for ethnic communities; and developing adult education and lifelong learning. IPA also aims to foster the social inclusion of disadvantaged people and areas, and support the integration of ethnic minorities. Support under IPA component V will cover sustainable development and diversification of economic activities in rural areas with a focus on sustainable rural development. A key aim is to improve the quality of life in rural areas where unemployment is extremely high.

Although the EU policy framework has a regional dimension, in practice The Former Yugoslav Republic of Macedonia will be considered as a single ‘region’ by the EU. This means that the programming of EU funds for regional policy, which is unlikely to deliver tangible results for several more years, will take place at a national level. Although the resulting national programme for regional competitiveness will almost certainly include an element of regional policy designed to address spatial disparities within the country, implementation is likely to be through national institutions such as the Employment Agency in the case of component IV of the IPA programme. Most likely there will be little direct connection with local economic development policy making at municipal level, although groupings of municipal councils may play an important role, and partnerships between municipalities within the planning regions may become a more important element of local economic development.

EU programmes such as IPA are therefore only one element of regional development policy, and their real local effects are likely to be quite limited since they are oriented significantly towards economic development at the national level. The policies currently being implemented within the country concerning the decentralisation of responsibilities to municipalities, and the emergence of the planning regions, are at least equally important parts of the whole story. Over time, the regional dimension of policy making is likely to develop in ways that are not currently easy to foresee. Thus, the whole field of regional policy is rather open, and current debates and policy choices are likely to have important repercussions for the pattern of regional disparities and the quality of life in the different regions of the country in the future.
CHAPTER 2: A REGIONAL PROFILE OF THE QUALITY OF LIFE
This chapter presents a socio-economic profile of the Former Yugoslav Republic of Macedonia with a focus on the quality of life and regional differences. It identifies the population groups most at risk of social exclusion and provides a framework of indicators that enables comparison over time in relation to the previous People Centred Analysis report. It considers several aspects of quality of life measured by objective as well as subjective indicators. The chapter begins with subjective indicators of the quality of life in terms of overall life satisfaction, and overall happiness, before examining some objective indicators of income and poverty.

GDP per capita in terms of purchasing power parity is compared with that in EU countries in order to set the context and the convergence perspective for the country as an EU candidate. Inequality across regions and across ethnic affiliation is also measured and discussed. Since poverty is a major aspect of vulnerability and social exclusion, various dimensions of poverty including its incidence and depth are identified. Since people try to preserve their life style even when incomes fluctuate, life style issues are taken into account as well as household income. A mean deprivation index is presented which represents exclusion from minimally acceptable standards of living and household essentials.

Since participation in the labour market is a key determinant of social inclusion the chapter analyses labour market outcomes and subjective perceptions of the quality of work. The chapter also considers perceptions of access to education and health services as well as an index of vulnerability in order to identify in more detail the extent and regional nature of social exclusion. In a globalized world, the problem of social exclusion, vulnerability and deprivation can only be tackled if the economy of the country becomes a knowledge economy and develops its innovative potential with a continual upgrading of the workforce through lifelong learning. The chapter therefore examines some basic features of peoples’ skills and knowledge.

The Quality of Life: Satisfaction and Happiness

The transition to a market economy has affected peoples’ lives and their attitudes towards issues such as democracy, the role of the state, and prospects for the future. Given that transition is not yet over, information on subjective well-being is highly relevant to policymakers. Indicators such as life satisfaction, the level of happiness, housing conditions, health status, and social relation, give an insight into peoples’ quality of life. This section therefore begins with a discussion of subjective well-being using two indicators: life satisfaction, and overall happiness.

Figure 2-1

Source: EU: European Quality of Life Survey; Croatia, UNDP survey; Former Yugoslav Republic of Macedonia, UNDP PCA survey July/August 2008
Figure 2-1 shows that the mean level of life satisfaction and happiness in the country is lower than the average of the EU countries whether considering the older Member States (EU 15) or the EU as a whole including the New Member States which joined since 2004. While the differences between the EU groupings are not large, the Candidate States in the Western Balkan have far lower levels of life satisfaction and happiness, with people of the country experiencing significantly lower levels of well-being on these measures than people in Croatia. In all the cases, the scores for satisfaction with the quality of life are lower than the scores for happiness, revealing an even greater dissatisfaction with the quality of the society and the environment in which people live (satisfaction) than with their personal emotional reaction to that environment (happiness). This suggests that people are able to compensate for dissatisfaction with the quality of life in various ways, through family relations and personal adjustments, and to enjoy levels of happiness that are somewhat above the level that could be expected from their reported levels of satisfaction with life.

Figure 2-2

Satisfaction with life and happiness by region
(mean scores on a scale of 1-10)

Source: PCA survey July/August 2008

The average level of life satisfaction and happiness by regions is presented in Figure 2-2. Life satisfaction is lowest in the Southeast and highest in Polog. Average levels of happiness are highest in the East and lowest in Vardar. There are quite large differences between the two indicators, suggesting that people compensate to some extent for dissatisfaction with the quality of life through family relations and personal adjustments, to varying extents across different regions. This adjustment seems to be especially strong in the Southeast and Pelagonia. Combining both indicators together reveals that people in Vardar have the lowest subjective well being, while people in Polog have the highest levels of subjective well being.

It should be expected that the levels of satisfaction with life and the levels of happiness bear a strong relationship to income and expenditure capacity, since the European Quality of Life Surveys (see Appendix 2) have shown that the main determinants of life satisfaction and happiness are employment status and income. The negative impact of low incomes is greater in poorer countries, where having a low income entails greater personal challenges than in more prosperous countries. The survey findings confirm this expectation, and show that the average levels of life satisfaction and happiness are closely correlated with the level of equivalised expenditure. People within

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1 Equivalisation is made on the basis of the OECD modified scale, which assigns a value of 1 to the household head, of 0.5 to each additional adult member and of 0.3 to each child.
the top quartile of equivalised expenditure are significantly more satisfied with their lives and are happier than people with lower expenditure. However, incomes and expenditure are not the only determinants of satisfaction with the quality of life and happiness. Other factors can be expected to have a strong influence, including factors which determine social status such as education, age, gender, place of residence, and ethnicity.

**Figure 2-3**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Life Satisfaction</th>
<th>Life Happiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>High education</td>
<td>6.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Secondary education</td>
<td>5.50</td>
<td>6.50</td>
</tr>
<tr>
<td>Primary education</td>
<td>5.00</td>
<td>6.00</td>
</tr>
<tr>
<td>No education</td>
<td>4.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Source: PCA survey July/August 2008

Figure 2-3 shows that the mean level of life satisfaction and happiness is greater for those with higher education than for those with lower levels of education. People with more education tend to have higher levels of life satisfaction and happiness than others. The variation across levels of education is large. People with the least education score on average only two fifths the levels of reported life satisfaction and happiness as those with higher education attainment. Education is a fundamental determinant of the quality of life in modern societies. Having a higher level of education increases an individual’s chances of obtaining well paid work, reduces the probability of experiencing long term unemployment, and is typically associated with better health. Moreover, higher the levels of initial education attainment are often associated with a willingness and ability to undertake further adult education and retraining in later life, enabling better educated individuals to more easily adjust to the process of structural change during transition.

**Figure 2-4**

<table>
<thead>
<tr>
<th>Category</th>
<th>Life Happiness</th>
<th>Life Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>7.00</td>
<td>6.50</td>
</tr>
<tr>
<td>Male</td>
<td>6.50</td>
<td>6.00</td>
</tr>
<tr>
<td>Age 55+</td>
<td>5.50</td>
<td>5.00</td>
</tr>
<tr>
<td>Age 35-54</td>
<td>6.00</td>
<td>6.50</td>
</tr>
<tr>
<td>Age 18-34</td>
<td>7.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>

Source: PCA survey July/August 2008
Figure 2-4 shows that the mean level of life satisfaction and happiness is greater for females than for males, and declines with age, being greatest for the age group 18-34 and lowest for the over 55 age group. The European quality of life surveys also demonstrated a strong correlation between satisfaction with the quality of life and age. However, the striking difference is that in the EU New Member States and elsewhere, while levels of satisfaction and happiness tend to decline towards middle age, they generally pick up again later in a person's life, recovering earlier levels of satisfaction and happiness when people reach their fifties and sixties. In the country however, this effect is not observable, and the older age groups have not benefited from the resurgence in levels of satisfaction and happiness that ease people's later years in other countries. This suggests that policies to improve well being in the country should pay special attention to the needs of older people.

Figure 2-5 shows that the mean level of life satisfaction and happiness is greater for those who live in urban areas compared to those who live in rural areas. The low levels of satisfaction with the quality of life, and the low levels of happiness in rural areas compared to urban areas, and the city of Skopje, reinforce the remarks made in the introductory chapter about the monocentric nature of the development process in the country, and the relative bias towards urban development and the atrophy of the countryside. This suggests a strong role for policies directed towards improving the quality of life in rural areas, and especially the importance of accessing EU assistance from the IPA programme for the development and regeneration of rural areas. Considering ethnic groups, ethnic Macedonians have equivalent levels of life satisfaction to Albanians, while the Roma population have significantly lower levels of satisfaction with their lives. Levels of happiness among ethnic groups are more diverse with the greatest levels of happiness among ethnic Macedonians.

Income Distribution and Poverty

The Former Yugoslav Republic of Macedonia is a candidate for EU membership, yet its income levels are far below those of many EU member states. The Gross Domestic Product (GDP) per capita in terms of purchasing power parity is only one quarter of the average for the EU-27. Even in ex-Yugoslavia Macedonia was one of the poorest republics in the federation. With the start of transition in the first half of the 1990s, many factors brought about further deterioration in the
Large differences in GDP per capita can be observed across regions (see Figure 2-6). Not surprisingly, the Skopje Region has the highest level of GDP per capita, more than three fifths above the average level for the country as a whole. With the exception of Vardar, GDP per capita in all other regions is below the country average. The lowest levels are in Polog and the Northeast, where levels are around one half of the country average. The gap between Skopje and these two regions is wide, with GDP per capita in the latter less than one third of the former. Levels of production and incomes do not however necessarily correspond, as commuter flows may have a significant influence on the regional distribution. The daily migration of labour between increases GDP per capita in some regions to a level that could not be achieved by the resident population on its own. Correspondingly the commuter incomes are transferred to the regions where they live, giving rise to potentially large differences across regions between measured GDP per capita and measured income levels. That is why we also look at income measures further in the text.

Regional differences in (median) monthly household equivalised income observed through the survey are relatively high, but far less variable than the average (mean) regional GDP per
capita (see Figure 2-7). The lowest median monthly equivalised income, observed in the North-eastern region is just about 60% of the highest income observed in the Pelagonia region. It is interesting to note while average GDP per capita in Polog is the lowest in the country, its mean household equivalised income is above that of the country as a whole and is similar to that in the Skopje region. This difference between mean GDP per capita and median household income could reflect either presence of a high level of informal economic activity not captured by the official GDP measure, remittances from abroad, a commuter flow effect, or else simply the difference in distribution of the mean compared to the median as an indicator of the average levels of activity and income. The latter could arise if the less prosperous regions have fewer high income individuals, which would tend to bunch together the measures of the mean and the mode income and activity levels. Furthermore, the scale of household income differences is lower between regions than between ethnic affiliation. The lowest median monthly equivalised income is observed among the Roma (81), 50% less than among ethnic Macedonians (163). Since three fifths of the country’s Roma population live in the Skopje region, the income in the Skopje region is reduced directly by the significant presence of low Roma incomes.

**Figure 2-8**

*Mean and median equivalized household income by ethnicity (euros)*

*Source: PCA Survey, July/August 2008*

From Figure 2-8 we can also note that median equivalised household income is lower than the mean equivalised household income (within ethnic affiliation and in the country) thus, we can conclude that more than a half of the households have income lower than the average income. This is especially true for Roma. Thus, indicating a sharper inequality within ethnic affiliation.

**Figure 2-9**

*Sources of income*

*Source: PCA Survey, July/August 2008; Note: total income by regions does not add to 100% as the other categories are not shown*
The survey also provided information about the sources of income in the regions (see Figure 2-9). The share of income from employment in private firms is highest in the Southeast, Vardar and Polog, where around one quarter of all incomes originates from the private sector, and lowest in the SW and NE where the share of income originating from the private sector is around one fifth. The highest share of income from employment in the public sector is in Pelagonia and the Skopje region, where about one fifth of incomes originate from this source, while the lowest is in the Southeast and Polog. The share of income originating from pensions is highest in Pelagonia and Vardar (13%). Overall, around 40% of respondents to the survey answered that they have no income at all (ranging from 52% in Polog and 36% in the East).

**Figure 2-10**

![Remittances Chart]

*Source: PCA Survey, July/August 2008*

Remittances are an important source of income, especially in Polog and the Southwest, where more than one tenth of households receive remittances from abroad. Relatively few households receive remittances in the East, Skopje, Pelagonia or Vardar.

**Income Inequality**

The quintile analyses of the table below of the equivalised disposable income by ethnic affiliation show that the income inequality is very sharp for the country and the ethnic groups. The situation of inequality measured by quintiles is discouraging across the country as a whole since the richest 20% of the population receive 42% of the total disposable income, while the poorest 20% receive just 5% of the total income. The highest inequality is registered among the Roma, with the richest 20% of Roma households (the fifth quintile) receiving 49% of the disposable income while the poorest 20% (the first quintile) receives only 2% of the disposable income.

Another indicator of income distribution is S80/S20 ratio – the ratio between the total income received by the highest quintile and the total income received by the lowest quintile (the poorest 20% of the population). There is no difference between rural and urban locations on this measure (see Table 2-1). Some differences are, however, observed on this measure in relation to ethnic groups (see Table 2-2). In the case of ethnic Macedonians this ratio is 8 (the richest 20% receive 8 times higher income in total than the poorest 20%). The highest ratio (hence the highest overall inequality) is among Roma (20).
Table 2-1: Equivalent disposable income and expenditure by quintiles, by location

<table>
<thead>
<tr>
<th>Quintiles</th>
<th>Rural</th>
<th>Urban</th>
<th>Skopje</th>
<th>Rural</th>
<th>Urban</th>
<th>Skopje</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>2</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
<td>15%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>17%</td>
<td>17%</td>
<td>18%</td>
<td>20%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>4</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
<td>23%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>5</td>
<td>43%</td>
<td>41%</td>
<td>40%</td>
<td>35%</td>
<td>38%</td>
<td>37%</td>
</tr>
<tr>
<td>S80/S20</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: PCA Survey, July/August 2008

Figure 2-11: Lorenz curve, by location

Source: PCA Survey, July/August 2008
Table 2-1 and the associated Lorenz curve in Figure 2-11 show that income inequality is very high for both the urban and rural population. Rural inequality is the similar to urban inequality, as the lowest quintile of both the rural and urban population receives only 6% of the equivalised disposable income while the highest quintile of the rural population receives 44% of the equivalised disposable income while the highest quintile of the urban population receives 41%. The picture in Skopje mirrors that for urban locations in general.

Table 2-2: Equivalent disposable income and expenditure by quintiles, by ethnicity

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Maced.</th>
<th>Alb.</th>
<th>Roma</th>
<th>Other</th>
<th>All</th>
<th>Maced.</th>
<th>Alb.</th>
<th>Roma</th>
<th>Other</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5%</td>
<td>5%</td>
<td>2%</td>
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<td>5%</td>
<td>9%</td>
<td>7%</td>
<td>5%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>2</td>
<td>12%</td>
<td>12%</td>
<td>8%</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
<td>11%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>17%</td>
<td>17%</td>
<td>16%</td>
<td>17%</td>
<td>17%</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>4</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
<td>25%</td>
<td>24%</td>
<td>22%</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>5</td>
<td>42%</td>
<td>43%</td>
<td>49%</td>
<td>39%</td>
<td>42%</td>
<td>37%</td>
<td>38%</td>
<td>41%</td>
<td>34%</td>
<td>37%</td>
</tr>
<tr>
<td>S80/ S20</td>
<td>8</td>
<td>9</td>
<td>20</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: PCA Survey, July/August 2008

Figure 2-12

Lorenz curve, by ethnicity

Source: PCA Survey, July/August 2008
Differences in income distribution among ethnic groups and locations can be illustrated by data in Table 2-2, the Lorenz curves in Figure 2-12, and the Gini coefficients shown in Figure 2-13. The Gini coefficient for ethnic Macedonians is 0.37, and for ethnic Albanians is 0.38, while for the Roma the Gini is 0.46 indicating a far higher degree of inequality. Inequality in equivalised income, measured by the Gini coefficient, is somewhat higher in the rural areas than in the urban areas, while the inequality in equivalised expenditure is higher in urban areas than in the rural areas. This may indicate that people living in rural areas have a more similar standard of expenditure than those living in urban areas, irrespective of the income distribution, owing to a more homogenous distribution of needs and expectations in rural areas than in urban locations.

Poverty

Poverty is a major aspect of vulnerability and social exclusion. In transition economies, where a significant share of income comes from the informal sector, it is common in for people to underreport their incomes. Consequently, poverty assessment is typically made on the basis both of incomes and expenditures.
The EU defines the "at-risk-of-poverty rate" as a share of people with an equivalised disposable income below 60% of the national equivalised median income. Figure 2-14 shows a high degree of regional variability in the at-risk-of-poverty rate. In the Northeast, over one third of households are at risk of poverty, while in Pelagonia and Vardar less than one fifth of households are at risk of poverty on the income based measure. The reason why income-based poverty measure is higher than the expenditure-based measure in almost all regions except Polog may be due to the fact that part of household incomes comes from the informal sector and is underreported, or that part of expenditure derives from a draw-down of savings\(^2\). Also, it is important to note that the share of individuals at risk of poverty (28% on the income-based measure) is higher than that reported in the previous People Centred Analysis report, which was 23% on the income-based measure, whereas the expenditure-based poverty measure is almost the same, at 19% versus 18% for the previous report.

\(\text{Figure 2-15}\)

![Poverty headcount (children)](image)

Source: PCA Survey July/August 2008; Note: the poverty line is defined for households living under the 60% of the median expenditure (6,571 denars), or median income (5,778 denars).

It is discouraging to note that, except for the Southwest and Vardar (on the income based measure), the proportion of children under age of 15 at risk of poverty is even higher than the overall proportion of households at risk of poverty. The Northeast has an extremely high proportion of children at risk of poverty, reaching over three fifths when measured in relation to household income.

\(^2\)Another explanation can be spending the savings.
The EU uses the “relative median poverty risk gap” to measure the depth of poverty. It is defined as difference between the median equivalised income of those below the at-risk-of poverty threshold and the threshold itself, expressed as a percentage of the threshold. Using this way to measure the gap which separates the poor from the poverty threshold we can monitor whether the poor are just below the poverty threshold (suggesting that it is relatively easy for this group to escape poverty) or are deeply below it (suggesting that specific approaches are needed to reduce poverty). Figure 2-16 shows that the poverty gap is highest in Northeast and lowest in the Pelagonia.

Source: PCA Survey July/August 2008; Note: the poverty line is defined for households living under the 60% of the median expenditure (6,571 denars), or median income (5,778 denars).
The most vulnerable ethnic group remain the Roma, with 64% of Roma households below the income-based poverty line. On the income based measure the ethnic Albanian population has a similar poverty headcount to the national average. On an expenditure basis, the poverty headcount is above the national average. Correspondingly, the ethnic Macedonian population has a poverty headcount below the national average on the expenditure basis.

Figure 2-18

Source: PCA Survey July/August 2008; Note: the poverty line is defined for households living under the 60% of the median expenditure (6,571 denars), or median income (5,778 denars).

Figure 2-18 shows that the Roma are in deep poverty as measured by the poverty gap, and that the ethnic Albanians ethnic also experience significant difficulties with the depth of poverty on the expenditure based measure.

Social Exclusion

A key element of social exclusion is the inability to make ends meet. The survey respondents are asked whether they are able to make ends meet (i.e. cover basic household bills and expenditures) in relation to the household’s total monthly income. The proportion of households experiencing difficulties in this way varies widely among the EU countries. The European Quality of Life surveys have shown that while just one in ten households in the EU-15 reports such difficulties, the proportion is half as high again in the EU-25 (which includes the EU New Member States from the 2004 enlargement). The situation is even worse in The Former Yugoslav Republic of Macedonia, where a far greater proportion of people have difficulty making ends meet. The survey data show that more than one half (55%) of households are in this position. Across the regions, the worst situation is in the Southeast where two thirds of households have difficulty in making ends meet, while the Skopje region is in a relatively favourable position with just over one half reporting difficulties.
Figure 2-19 compares the measures of income-based poverty (objective poverty) and difficulties in making ends meet ('subjective poverty') across the regions. It shows that more people experience subjective poverty than the measurement of income-based poverty would suggest. Moreover, the regional profile of subjective poverty is rather different to that of income-based poverty. The intense experience of subjective poverty based on an inability to make ends meet, may be related to changes in relative prices since the socialist period during which there were many price subsidies. The necessities of life such as food were less expensive then than they are today, since many food items are now imported and their prices are relatively high.

The most recent strategy for alleviating poverty was drawn up in 2002. It focused mainly on the macroeconomic aspect of poverty, connecting poverty to unemployment. One of the actions proposed was to establish an administrative post in the government for a Secretary for Poverty Alleviation, but this was never implemented. The strategy proposed that a Partnership for Poverty Alleviation should be established as a consultative body to the government but that was never established either. It also proposed better access for the poor to social and health protection and better access to education services. The institutions of local self government were also to be supported to fight poverty, but the decentralization of 2005 failed to transfer poverty-fighting competencies to local municipalities. The government developed a Strategy for the Roma in 2005 but, according to the findings set out in this report, their situation remains one of severe deprivation. The operational plans of the Strategy for Roma for the period 2006-2008 planned a significant increase in expenditure of education, health, housing and employment over three years. However, from the indicators presented in this report it appears that relatively little has been achieved so far.

**Household Deprivation and Vulnerability**

Most people try to maintain their life style when their income falls. That is why it is important to take into account not only the household income but also people's life style. Based on the
methodology of the European Foundation for the Improvement of Living and Working Conditions, European Quality of Life Survey, this report makes use of a deprivation index that is intended to capture people’s exclusion from normally acceptable standards of living. The deprivation index is a number consisting of six items –

- keeping one’s home adequately warm;
- paying for a week’s annual holiday;
- replacing any worn-out furniture;
- having a meal with meat every second day if you wanted;
- buying new, rather than second-hand clothes;
- having friends or family for a drink or meal at least once a month –

This index has a value of 0.7 in the EU 15, and 1.0 in the EU 25 group of countries. In the country the index is far higher at 2.6, meaning that, on average, people are deprived of at least of almost three of the six items. On the basis of this index it appears that people in The Former Yugoslav Republic of Macedonia are suffer significantly more material deprivation than those in the EU, in terms of the index between two to three times more so.

**Figure 2-20**

Mean deprivation by regions in the country

Source: PCA Survey July/August 2008

The regional differences in the deprivation index are shown in Figure 2-20. The region with the lowest level of material deprivation is the Skopje region, while the greatest levels are found in Vardar. This is hardly surprising given that the Skopje region has the highest levels of GDP per capita and among the highest equivalised household income levels as well. The highest levels of material deprivation are found in Vardar and the Northeast, the latter of which corresponds to the region with the lowest level of equivalised household income. The relatively high levels of material deprivation in Vardar correspond to the high levels of subjective poverty in that region. There is something of a contrast with the relatively high levels of equivalised household income in the Vardar region however, indicating the two measures of poverty, subjective and objective, are sometimes quite wide apart. This gives credence to the view that it is important to study subjective poverty levels in addition to the supposedly ‘hard’ data from income studies, which may significantly misrepresent the subjective experience of individuals and households.
Figure 2-21 shows that for many people the basic needs for food for daily meals are not affordable. People living in Polog and the Southwest are in a much better position in this respect than people living in other regions, while more than one third of people living in Vardar, the Northeast and the Southeast face financial difficulties in paying for essential food and for daily meals. Once again in terms of subjectively reported indicators of vulnerability, people living in the Northeast and the Vardar region appear to be especially in difficulty. Household disadvantage is also indicated by household arrears with utility bills over the previous month. Most non-payers are in the Northeast, where one third of people do not pay their electricity bills, almost as many do not pay their water bills and over two fifths do not pay telephone bills on time.

Figure 2-22
Using the data on household status it is possible to assess and monitor the extent of vulnerability. Household vulnerability is defined as the share of households facing a set of risks (a household is considered vulnerable if at least one of the six criteria is met\(^3\)) related to the well-being of family members. The extent of vulnerability of households is classified by the number of criteria being met. A high level of vulnerability is defined as a household meeting 3 to 5 of the criteria, a medium level of vulnerability is defined as meeting 2 of the criteria, a low level of vulnerability as meeting 1 of the criteria, and not vulnerable as meeting none of the criteria. Figure 2-22 shows that overall one tenth of people are highly vulnerable and that 16% experience medium levels of vulnerability. Northeast and Skopje regions have the most highly vulnerable people (with 23% and 21% respectively of people living in these two regions meet 3-5 of the vulnerability criteria), while Pelagonia and Southwest and East region have the fewest vulnerable people. The Southeast, Vardar and Polog regions have the highest proportion of people living at a level of medium vulnerability (22% to 24% of the people in these regions meet 2 of the vulnerability criteria).

### Figure 2-23

**Multidimensional vulnerability by ethnic groups**

![Graph showing multidimensional vulnerability by ethnic groups.](image)

Source: PCA Survey July/August 2008

Vulnerability also affects members of ethnic groups in different ways. Figure 2-23 shows that one quarter of Roma people are highly vulnerable, and that over one fifth suffer from medium levels of vulnerability. One of the most serious sources of social exclusion for Roma people is the lack of access to suitable housing\(^4\). Among the Albanian ethnic group, although relatively few experience high level of vulnerability, as many as three quarters experience some vulnerability. Among the ethnic Macedonian population more than one third experience no vulnerability, although there is a significant minority of 14% who are highly vulnerable. Other ethnic groups experience relatively little vulnerability.

\(^3\)Low income (in poverty) - household with equivalized incomes (threshold: 60% of the median equivalized income of the household), endebtness - household with total debts (40% of the overall household’s expenditures), Housing (poor housing conditions), Utilities (Limited or no access to utilities), Access to health (delay of getting an appointment was very difficult), Isolation (Self-assessment of the respondent of the household as lack of contact or lack of support in material and non-material aspect).

\(^4\)See Decade Watch Report (2007)
In conclusion, vulnerability is not solely attributed to the income poverty, since many households with low incomes are not especially vulnerable. Policies targeting vulnerable groups should therefore be comprehensive and not simply limited to income generation. When disaggregated by groups, the profiles of vulnerability are highly diverse, with the most pronounced differentiating factor being ethnicity. Therefore, targeted intervention to decrease vulnerability should take such differences into consideration.

**Labour Market**

Measured according to ILO methodology, the unemployment rate in the country, at 35%, is one of the highest in Europe, even though it has declined in recent years. Figure 2-24 shows that the unemployment rate, as measured by the survey, appears to be at 31%, below the ILO-measure unemployment rate reported by the State Statistical Office.

![Figure 2-24: Unemployment rate by region](source: PCA Survey July/August 2008)

At a regional level, according to the survey, the lowest unemployment rate is in the Skopje region, Polog, the Southwest and the East, while above average rates are found in the Northeast, Southeast, Pelagonia, and Vardar (see Figure 2-24). The difference in unemployment rates reported by the PCA survey and the official ILO measure reported by the State Statistical Office may be attributable to differences in definition. Among ethnic groups, the unemployment rate is lowest for ethnic Albanians (27%) and highest for the Roma population (73%).
One key indicator of social exclusion is the share of households which has no employed member. Such households should try to survive without any formally earned income which makes them especially vulnerable. The regional differences in this indicator are relatively high. In the country as a whole, almost one quarter of households is in this position, while one third has only one employed member. The Northeast has the most households with no employed members, with almost one third of households in such a position, while Polog and Vardar have the lowest proportion (see Figure 2-25). Polog also has the highest proportion of households with three or more family members in employment.

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5For comparison, the share in Croatia is 21%, in Romania 30% and in EU 25 is 18%.
The risk of losing one's job is important for economic, psychological reasons, and in addition such risk can also influence a person's creditworthiness. Almost half of people in the country as a whole consider that losing their job is very unlikely, while one in ten has insecure employment. Polog has the lowest proportion of people in insecure employment while the Southeast and the Southwest have relatively high proportions of people with such insecure jobs (see Figure 2-26).

In view of these findings, the government's role should be targeted more toward regional and ethnic labour market measures. Such policies should be especially focused on the Roma population as more than one third of them are seeking work but cannot find it, whereas ethnic Macedonians and ethnic Albanians are in a more favourable position.

**Education and Training**

The labour market is characterized unskilled and low productivity employment reflected in relatively low salaries. In order to become more competitive the quality of education, needs to be raised. Education is a key factor in restoring social cohesion in post-conflict societies, especially ethnically divided ones, where it can either promote or block reconciliation depending on the education policies adopted and the way in which they are implemented. In transition societies, education is an important element in facilitating change in society. For example, the reform of Vocational Education and Training is essential for the wider aims of labour market reform, labour reallocation, and structural adjustment. Without the people trained in new skills appropriate to an emerging market economy, wider hopes for economic development are likely to flounder. Moreover, education contributes to reducing the risk of poverty.

**Table 2-3: Gross enrolment rates by gender and poverty status**

<table>
<thead>
<tr>
<th></th>
<th>boys</th>
<th>girls</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary education (7-14 years old)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-poor</td>
<td>93%</td>
<td>92%</td>
<td>92%</td>
</tr>
<tr>
<td>poor</td>
<td>88%</td>
<td>88%</td>
<td>88%</td>
</tr>
<tr>
<td>total</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
</tr>
<tr>
<td><strong>Secondary education (15-18 years old)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-poor</td>
<td>87%</td>
<td>88%</td>
<td>87%</td>
</tr>
<tr>
<td>poor</td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>total</td>
<td>86%</td>
<td>87%</td>
<td>87%</td>
</tr>
<tr>
<td><strong>Higher education (19-23 years old)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-poor</td>
<td>52%</td>
<td>59%</td>
<td>55%</td>
</tr>
<tr>
<td>poor</td>
<td>33%</td>
<td>43%</td>
<td>38%</td>
</tr>
<tr>
<td>total</td>
<td>48%</td>
<td>55%</td>
<td>51%</td>
</tr>
</tbody>
</table>

*Source: PCA Survey July/August 2008*

\(^6\)See more at National competitiveness report of the Former Yugoslav Republic of Macedonia 2007 and 2008; NCEC and CEA.
In higher education the GER has increased from 42% to 85% respectively, a truly remarkable achievement which, if true, is probably the fastest rates of expansion of higher education in Europe. It is likely that the number of suppliers in the higher education is increasing rapidly in search for profit, but there is no control as of what they are “producing” i.e. what quality graduates from higher education are offering to the labour market. The danger of such a rapid rate of expansion, driven in part by an expansion of private faculties, is that educational quality suffers. It is therefore important to ensure the effective regulation and accreditation of new institutions of higher education though validation by accreditation units of established EU universities. The existing regulatory body (the Higher Education Accreditation Board) for higher education should keep track of outcome measures in higher education. The problem is that in accordance with the Law on Higher Education, while the Higher Education Accreditation Board is regulating the entry in the sector, the Evaluation Agency has not yet been established even though it should regulate and evaluate the quality of the higher education institutions. The separate funding council is not yet operational either.

**Figure 2-27**

*Level of knowledge of English language - answers to the question "how well do you read and understand an English newspaper?"

![Bar chart showing the level of knowledge of English language in different regions.](source: PCA Survey July/August 2008.)

One indicator of how well the education system has equipped people is their knowledge of the English language, given that English is rapidly becoming the language of the globalised marketplace. An ability to read English is also an important dimension of integration into the modern economy, i.e. use of the Internet. Figure 2-27 shows that many people can neither read nor understand an English language newspaper. The differences across regions are also relatively high.

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7See more at: http://www.mon.gov.mk/.
According to the State Statistical Office, in the first quarter of 2008, 29% of the households had access to the Internet and 46% of the households were using computers. Almost four fifths of households with internet access had a broadband connection, which is over one third more than in the same period of 2007. In the first quarter of 2008, half of the population aged 15-74 used a computer, an increase of 9%, while over two fifths used the Internet, an increase of 12%. Figure 2-28 shows the frequency of Internet usage. Everyday use of Internet is more or less equal across regions, apart from the Skopje region which has the highest proportion of people using it, while the lowest level of internet use is in Pelagonia. Supporting this growth in Internet use, the government has implemented an initiative for introducing computers to all students in the primary and secondary school.

Source: PCA Survey July/August 2008.
Lifelong learning is widely regarded as crucial for successful local economic development. However, Figure 2-29 shows that only a few people are following training courses of any type, and of those who are, most are organized by the employer. The subject of the training course was mostly in ICT and languages. The regional differences are noticeable with the greatest proportionate access to training courses being in Pelagonia and the lowest in the Skopje region. Training is also prevalent in the deprived Northeast of the country, which is an encouraging sign that policies are being targeted to the population in need.

In a globalized world the problem of social exclusion, vulnerability and deprivation can best be tackled if an economy becomes a knowledge economy, with high levels of and innovation, education, training, and lifelong learning. The reforms in the education system should be directed towards this end. Special attention should be paid to the human and financial resources required for the mandatory secondary education.

**Access to Health Services**

Reforms carried out immediately after the country became independent in 1991 legalised the private provision of health services by primary health care practitioners. A World Bank project completed in 2002 proposed an extension of the privatisation of the primary care sector and the introduction of capitation payments for family doctors (Nordyke and Peabody 2002). In 2004 amendments to the Law on Health Care enabled the privatisation of pharmacies and dental services on the basis of leasing of facilities from the state. The Ohrid Agreement mandated the decentralisation of the health care responsibilities to the municipal level, and representatives of municipalities have begun to participate on the boards of primary health care centres (Gjorgjev, Bacanovic, Cicevalieva, Sulevski and Grosse-Tebe 2006).

**Figure 2-30**

*Share of respondents for whom distance to nearest medical centre or hospital is more than 1 kilometre*

Source: PCA Survey July/August 2008.
Following the reforms and the privatisation which they introduced, spatial inequalities in the provision of health services have emerged. The survey shows that access to a hospital is most difficult in the Northeast, while the Skopje region and the Southwest are also in a similar position (see Figure 2-30). Access to a primary medical centre is most difficult in the Southwest, and easiest in the Southeast. Taking both indicators together it seems that the access to health services is most problematic in the Southwest region.

**Figure 2-31**

**Difficulties to see a doctor or medical specialist**  
(proportion responding "very difficult" due to indicated reason)

<table>
<thead>
<tr>
<th>Region</th>
<th>Distance</th>
<th>Delay in getting an appointment</th>
<th>Waiting time on day of appointment</th>
<th>Cost of seeing a doctor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vardar</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>SW</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>SE</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Skopje</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Polog</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Pelagonia</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>NE</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>East</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
</tbody>
</table>

Source: PCA Survey July/August 2008

It is not that difficult to see a doctor or a medical specialist in general, but the differences across regions are relatively high, especially when it comes to the costs of seeing a doctor, especially in Vardar, the Skopje region, and Polog (see Figure 2-31).

**Conclusions**

This chapter set out the regional profile of the quality of life measured by objective as well as subjective indicators. Regional differences in life satisfaction and happiness are relatively large, while the level of life satisfaction and happiness are higher for females than for males, higher for younger people than for older people, higher for the better educated than for the less well educated and higher for those living in urban areas than those living in rural areas. Ethnic Macedonians as well as ethnic Albanians are relatively satisfied with their lives, while the Roma are the least satisfied. Not surprisingly, the level of life satisfaction and happiness are closely correlated with the level of equivalised income.
Income disparities are lower within regions than within ethnic affiliation, with the Roma ethnic group having the greatest disparities of all. More than half of households have income below the national average, while one quarter has no income at all. Most income is derived from employment in private firms, although there is also a high share from employment in the public sector. Remittances are also an important source of income especially for the Southwest and Polog regions.

Inequality has worsened in comparison with the situation reported in the previous People Centred Analysis report. The highest inequality is registered for the Roma and Albanians. High inequalities are also observed in the Skopje region, which suggests the need for action to restructure the region to improve coordination between municipalities in Skopje and the city's central administration.

Poverty has worsened compared to the previous People Centred Analysis report. Sharp differences in poverty are also registered across ethnic groups with most vulnerable being Roma. The poverty headcount and the poverty gap measures show that the Roma, and people living in the Northeast region, are far below the poverty line. However, it is not simply the high level of income poverty that adversely affects many households, but also social exclusion and vulnerability in relation to employment, education, and access to health and other social services.

Concerning social exclusion, half of all households have difficulties in making ends meet, with the worst situation is in the Southeast and the best in the Skopje region. Deprivation, as measured by the deprivation index, is most severe in Vardar and least severe in the Skopje region. Vulnerability, as measured by the vulnerability index, is least severe in Pelagonia and the East and most severe in Vardar and Polog. Among ethnic groups, the Roma have the most severe levels of vulnerability, while ethnic Macedonians have the least. It should be stressed that social exclusion is not just a problem requiring long run measures such as balanced regional development, a better business environment and attracting FDI, but also requires requiring immediate measures targeted at the poorest regions, at the Roma, and at other vulnerable groups including people living in rural areas and the elderly. It requires a firm strategy with a concrete action plan.

Participation in the labour market is key determinant of a good quality of life. The participation rate is relatively low overall in the labour market of the country, and is especially low among ethnic Albanians, mainly due to the low participation of Albanian women in the labour market. The unemployment rate measured by the survey is lower than the official measure. From the survey, the unemployment rate is lowest for ethnic Albanians and highest for Roma population. Regional differences in labour market participation are pronounced. The Northeast and Vardar have the highest proportions of households with no employed members. Such households should make their end meet without any formally earned income which makes them especially vulnerable. Regional differences in unemployment are high and government's role should be to develop labour market measures for the most disadvantaged regions and ethnic groups.
Regional imbalances appear to be high by all the measures used. However different measures provide a different ranking of regions on the various aspects of the quality of life reviewed in this chapter. In order to provide an overview of this otherwise potentially confusing picture, it is appropriate to construct an overall index of the quality of life across the regions in the country. Taking ten of the indicators addressed in the chapter an overall ranking was computed. The full ranking is portrayed in Figure 2-32. The details of the calculation are provided in Annexe 3. The results show that the quality of life is highest in the Skopje region and lowest in the Northeast, closely followed by the Vardar region.
For many years, inter-ethnic relations have been one of the most sensitive political issues, affecting both the stability of the country and the progress of reforms. Due to the diverse and complex ethnic composition of the country, inter-ethnic relations have been extremely controversial. The greatest tensions exist between ethnic Albanians and the ethnic Macedonian majority, who practice different languages, cultures, and religions. Traditionally, the relations between the majority of ethnic Macedonians and the large ethnic Albanian community have been strained, with the latter constantly pressing for an improvement in their status as citizens of the Republic, and for an increased participation in the public administration. Even though many key elements of the Ohrid Framework Agreement have already passed into law, the society remains divided, with a growing alienation between different ethnic groups. It can hardly be over-emphasised that the attitude of the ethnic Macedonians toward ethnic Albanians and their demands was greatly influenced by the legacy of the communist period. Lack of knowledge about other ethnic groups has only added to mutual fears and mistrust. During the transition period, traditions of inter-ethnic cooperation were neglected. Thus, the demands for greater ethnic Albanian representation were regarded as threatening the fragile balance within the political system and the institutions of public administration (Bumci, 2001).

The Ohrid Framework Agreement stipulates The Former Yugoslav Republic of Macedonia to be a multi-cultural state where no ethnic group dominates the other, and where a civic approach to nation and statehood predominates amongst all communities. The Framework Agreement envisaged that the ethnic Albanian minority within the country would gain greater influence over its own affairs, and that there would be a significant decentralization of power from the central government to new local authorities which have been established as part of a fundamental reform of local government. The Albanian language became an official language in those municipalities in which more than 20 per cent of the population was Albanian. The number of Albanians in the public administration and the police was increased to better reflect the proportion of Albanians in the population. The provisions in the Ohrid Framework Agreement regarding non-discrimination and equal opportunities are quite significant. The Agreement asks the authorities to “take action to correct the present [ethnic] imbalances in the composition of the public administration […] to reflect the composition and distribution of the population of Former Yugoslav Republic of Macedonia”\(^1\), something the ethnic Albanians have always complained about. However, for ethnic Macedonians, the Agreement is flawed in that it redresses long-standing minority grievances mainly by reducing the privileges of the majority (ICG, 2001). Another complicated mechanism, which can be described as a system of ‘double majorities’ introduced by the Ohrid Agreement is designed to protect minorities from being outvoted in parliamentary procedures for constitutional amendments, which today require a two-third majority (see Ethno-Barometer, 2002). The parliamentary majority needed for such laws should include a majority of the votes of the minorities. Actually, the language of the Framework Agreement in compliance with the new unwritten rule that forbids mentioning the word ‘minority’ is, quote, “a majority of the votes of representatives claiming to belong to the communities not in the majority in the population of Former Yugoslav Republic of Macedonia”\(^2\). The interesting point about this wording is that it will be up to each individual MP to decide freely and, apparently, independently of objective criteria, whether or not he or she belongs to a ‘community not in the majority’, i.e. to a minority.

In addition, the situation with the Roma community should not be forgotten. While it is more settled than in neighbouring countries, and is well represented by active NGOs and political parties, it is nevertheless subject to discrimination from time to time. In the provision of housing,

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education, health and welfare services, living conditions are below other ethnic groups. Repeated allegations of police brutality in the last few years and systematic prejudice are a cause for concern as many reports by the media have shown.

Interethnic relations have improved since the armed conflict in 2001. Confidence building measures, and the progressive and innovative approach of the international community, have been more effective in steering the country away from the abyss than the commitment of national political elites and authorities. The current Government is less concerned about the issue of inter-ethnic relations than previous governments have been, and has prioritised other issues such as economic reforms and development. However, the survey data on interethnic relations reported in this chapter still give grounds for serious concern, and indicate that ethnic relations should not be neglected. The data reveals the continuation of significant ethnic tensions, and that the different ethnic communities remain divided and often mutually suspicious. In most of the regions over two fifths of the population feel that there is some or a lot of tension. In all, over two fifths of people experience some tension while more than a quarter experience a lot of tension between different ethnic groups. Although progress remains slow even seven years after the start of the conflict resolution process, fortunately no serious ethnically-motivated incidents have taken place in recent years. A responsible attitude has been shown by the public authorities, although the same cannot be said of some national and regional politicians. The potential for such incidents to escalate is still present, and there is a noticeable resistance to rapprochement among communities in all regions. The polarization of citizens along ethnic lines (particularly young people) is a serious concern. It needs to be addressed on both sides of the ethnic divide at both a national level, and in most of the regions.

Political feuds may be slowly healing, but the country’s two main ethnic communities remain stubbornly locked into separate parallel worlds. Practically, the ethnic Albanians and the ethnic Macedonians still act like two separate communities. The Albanian inhabited areas in the northern and western parts of the country form a compact area exhibiting a great degree of homogeneity, especially in the Polog region where two fifths of the population is of Albanian ethnicity (see Table 3-1). Even in Skopje, ethnic Macedonians and ethnic Albanians tend to live in separate quarters. Moreover, a slow process of segregation has taken place in ethnically mixed areas, even before the conflict in 2001, with people preferring to live in neighbourhoods with other people of the same ethnic origin.

Table 3-1: Share of ethnic Albanian community among the population by region

<table>
<thead>
<tr>
<th>Region</th>
<th>% of Albanian inhabitants</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>0%</td>
</tr>
<tr>
<td>Northeast</td>
<td>11%</td>
</tr>
<tr>
<td>Pelagonia</td>
<td>3%</td>
</tr>
<tr>
<td>Polog</td>
<td>44%</td>
</tr>
<tr>
<td>Skopje region</td>
<td>26%</td>
</tr>
<tr>
<td>Southeast</td>
<td>0%</td>
</tr>
<tr>
<td>Southwest</td>
<td>16%</td>
</tr>
<tr>
<td>Vardar</td>
<td>1%</td>
</tr>
</tbody>
</table>

However, the determining factor in the pattern of ethnic mixing is the presence of a large Albanian community in the Skopje region. This prevents any substantial moves towards territorial autonomy by the Albanian community, since this segment would have to be left out. However, even in the Skopje region, where ethnic Albanians make up around one-quarter of the population, and where many of the districts in the city of Skopje are ethnically mixed, recent years have witnessed a trend of buying property in ethnically homogenous districts. Economic insecurity creates a context for a breakdown in inter-ethnic elite co-operation in which groups or individuals seek to achieve their aims outside the formal political framework.

**Ethnic Tension and Inter-Ethnic Relations: Survey Findings**

The survey data indicate that ethnic prejudices are widespread throughout the country. At the same time, as a result of the religious divide, ordinary citizens from different communities know only a little of the religious practices of the other community. The situation is even worse in ethnically unmixed towns in the East and Western parts of the country, where ethnic groups do not even have a basic knowledge about one another. That generates many prejudices and stereotypes between the communities which are barriers to improved interethnic relations.

Tensions between different ethnic groups continue to be a challenge at both national and sub-national level. While there has been some progress, there are clear indications that the rapprochement between the ethnic groups will take more time. The survey data shows the existence of continuing ethnic tensions, and that the two largest ethnic communities, Macedonians and Albanians, remain divided and often mutually suspicious. Surprisingly, the regions that are traditionally supposed to have less ethnic tensions due to their more homogeneous ethnic structure seem to have rather more pessimistic perceptions of interethnic relations, compared to those regions that are more usually seen as potential zones of interethnic clashes due to their diverse structure and their history of polarized relations.

![Figure 3-1](chart.png)

Source: PCA Survey July/August 2008.

In the country as a whole, two fifths of the population feel that there is some tension between ethnic groups, and almost one third consider that there is a lot of tension, so that altogether as
many as 70% of people feel either some or a lot of tension (see Figure 3-1). In two regions more than 84% of people share the opinion that there is some or a lot of tension between ethnic groups (Vardar and Southeast). Only one region (Polog) is better situated with less than half (44%) of respondents experiencing both some or a lot of tension. Furthermore, there is little encouraging data regarding friendly orientations between different ethnic groups in any region. The most dramatic situation is found in the East, Southeast and Vardar regions where less than one tenth of people experience fairly or very friendly relations between different ethnic groups.

At the national level, almost 14% of people perceive interethnic relations to be improving in the six months prior to the survey, while almost the same proportion perceives relations to be worsening. Almost three-quarters (73%) of respondents perceive no change of the state of the interethnic relations in the country over the last six months. Looking forward over the six months following the survey, optimistic assessments increase to 22% while pessimistic assessments remain about the same at 15%.

Figure 3-2

Net assessment of the state of inter-ethnic relations over the 6 months prior to the survey
(% who access the situation has improved less % who access the situation has worsened)

Source: PCA Survey July/August 2008.

At a regional level, the most unfavourable perceptions of the state of inter-ethnic relations are found in the East, the Southeast and the Southwest where the overall net assessment of the respondents was that inter-ethnic relations had deteriorated over the previous six months (see Figure 3-2). These regions are mainly inhabited by ethnic Macedonians and the multiethnic structure of the country is not reflected in their experience. The most positive assessments were in the Northeast, where almost a quarter experienced an improvement in relations, giving a net balance of over 10% assessing an improvement, closely followed by Polog.
Perceptions of future improvement in the state of inter-ethnic relations are relatively buoyant in several regions (see Figure 3-3). Net expectations of a future improvement of inter-ethnic relations are above the national average in five regions, three of which have a more ethnic diverse structure of the population: the Northeast, Polog, and the Skopje region. The fourth region with relatively optimistic expectations is Vardar. The most pessimistic expectations of the future of interethnic relations are experienced in the East and Southeast. Overall, in the country as a whole, net expectations for future improvement are positive, at 7%.

Whether it is a matter of misinformation, prejudice, lack of perspective, or real fear, in some of the regions many people perceive a high risk of violent ethnic conflict in the country. Only 14% of respondents consider that there is no risk from violent ethnic conflict. Almost two thirds consider
that there is a low to medium risk, while as many as one fifth of people consider that there is a high risk of violent ethnic conflict. There is considerable variation in perceptions of risk of conflict at a regional level. The lowest level of risk is felt in Polog where 30% see no risk of violent ethnic conflict, more than twice as many as in the country as a whole. Perceptions of high risk are greatest in the East where one third of people consider that there is a high risk of ethnic conflict in the country, and above average also in Vardar, the Skopje region, and the Northeast (see Figure 3-4).

However, the risk of violent conflict is mainly estimated to be an external risk that might occur in other regions, rather than a risk at local level within the municipality where a person lives. Fears of the risk of violent ethnic conflict exploding within the municipalities are felt by only half as many people as fear violent conflict in the country as a whole. Such a discrepancy in the perception of risks might be due to ethnic stereotypes, missing information or political manipulation, or it may be due to the perception that one’s own municipality would not be directly affected by violence because it is less polarized along ethnic lines. In fact, the two regions where a growing perception of a worsening state of the interethnic relations is experienced (East and South East) also perceive the least degree of the risk of violent ethnic conflict in their own municipalities. There are only two regions, Polog and the Southwest, in which perceptions of a high risk of ethnic conflict are comparable at national and municipal level. Elsewhere the perceptions of the national risk bear little relation to what are presumably more realistic assessments of risk at the municipal level. This suggests that interethnic tensions, and the fear of eventual ethnic conflicts, are more probably stoked by political parties in pursuit of their political goals, rather than being an accurate reflection of the real situation at local level, where fears of ethnic conflict are relatively low.

**Figure 3-5**

A sustained improvement in the state of interethnic relations cannot be expected when only a few people have friends from different ethnic groups, whether within their regions or from other regions. Unfortunately, the proportion of cross-ethnic group friendships revealed by the survey is rather low (see Figure 3-5). It is a fragile situation. Especially obvious is the low extent of cross-ethnic friendships in the mono-ethnic East and Southeast where more than half of the
respondents claimed that they have only very few, if any, friends at all from the other ethnic groups. It is in these regions that more unfavourable and pessimistic perceptions of interethnic relations should therefore be expected. Being more locked in to their native regions, having few contacts with people from other communities, not knowing people from other regions or ethnic groups, the citizens of these mono-ethnic regions have few opportunities to get to know the members of other ethnic groups. Prejudices towards, and stereotypes about, other ethnic groups may therefore be greater within these regions rather than among those who live in the more multiethnic regions.

The same regions have low proportions of people who patronise shops owned by persons from a different ethnic group (50% in the East, and 55% in the Southeast). There is even more concern regarding the frequency of visiting restaurants or cafés owned by persons from different ethnic groups. People frequent such restaurants or cafés in the Skopje region more often, but considering that Skopje is the capital city and has more mixed quarters than elsewhere, the proportion is still rather low.

Figure 3-6

Do you carry out business with persons from a different ethnic group?

Source: PCA Survey July/August 2008.

The reconciliation between different ethnic communities might also be encouraged though the experience of carrying out business with people from different ethnic groups. Prosperity and increased economic activity might break down some of the barriers to inter-ethnic understanding. The survey data reveal that in four regions (Vardar, Northeast, East and Southeast) over half of the respondents carry out no business activities with members of other ethnic groups (see Figure 3-6). However, in other regions there inter-ethnic business relations are more intensive. The highest levels of cross-ethnic business relations are found in the Northeast and Polog. In the latter region, almost three quarters of respondents report that the carry out business relations with members of other ethnic groups.

Role of the Mass Media

The mass media has become an increasingly important factor in the formation of public opinion and attitudes towards leadership, not only in daily politics but also within the everyday
experience of inter-ethnic relations. The importance of the media in both conflict and peace building should not be underestimated. According to the survey, the media influence seems to worsen the state of interethnic relations rather than improve it. At a national level only 21% of respondents perceive that the media have a positive impact on ethnic relations; while 37% of the respondents perceive that the media worsens inter-ethnic relations.

However, this does not mean that the media are to blame for the lack of improvement in interethnic relations, nor that they are responsible for the slow improvement of interethnic relations, since more than two fifths of the respondents perceive the media as having no influence on interethnic relations at all. A comparison between the eight regions regarding the role of the media in either worsening or improving inter-ethnic relations highlights few significant discrepancies among the regions. Everywhere, however, a greater proportion of people report a negative rather than a positive influence.

The media can be a powerful tool for either ethnic balkanization on the one hand or reconciliation on the other. It is far more than just a mirror of society. While it can, and does, reflect public opinion, it also plays a major role in shaping that opinion in the first place through the selective reporting of facts, and a bias in favour of one source, official or otherwise, over another, as well by allowing free reign to certain political ideas through editorials, commentary, and analysis (Crighton, 2003).

**Decentralisation, Local Politics and Inter-Ethnic Relations**

Decentralization is a pivotal part of the Ohrid Framework Agreement that is supposed to help to strengthen democracy throughout the country and to bring public services closer to the citizens. Fiscal decentralization, the strengthening of municipal responsibilities, and institution building, are expected to bring the different ethnic communities closer together. A central aim is to ensure that local decision-making is better attuned to local needs, especially concerning those decisions that have a disproportionate effect on minority ethnic groups. In the long-term, decentralization is expected to reduce inter-ethnic tensions. It is seen by many as preferable to the status quo in which local politicians follow the administrative dictates of the central government.

Living and working more closely with the local population, local politicians may be expected to try harder to bring together the various ethnic groups in their municipalities than national politicians, who are more distant and are often less concerned with local issues. Another reason for the more positive evaluation of the influence of local politicians on inter-ethnic relations is that the decentralization process has given more political social, economic rights to people from different ethnic backgrounds. Decentralisation has also given more competencies to the local authorities, who should now be expected to be more focused on reducing ethnic tensions, in contrast to national politicians who often pursue relatively narrow political motives.

Of course, a certain degree of polarisation is typical of plural societies composed of multiple ethnic, religious, national, or linguistic groups which retain their own cultural identities and social networks, but participate in a shared political and economic system. Even some of the most powerful countries and leading democracies face such problems. The Former Yugoslav Republic of Macedonia is such a plural society, polarised along ethnic lines, but its special problems and internal quarrels generate a dangerous uncertainty concerning the future of the state (Latifi,
There is concern among ethnic Macedonians, and some western observers that ethnic Albanian mayors and local politicians may form coalitions with their counterparts in neighbouring municipalities, and combine into larger geographic units that would be almost entirely ethnically Albanian, and eventually declare these as autonomous cantons. This seems to be the basis of the concerns of many people in regions in which few ethnic Albanians reside.

The survey throws some light on the relative impact of national and local politicians on the state of inter-ethnic relations in the country as a whole, and in its different regions. In the country as a whole, 44% of respondents perceive that politicians at the national level actually worsen inter-ethnic relations. In six regions more than two fifths of people blame national politicians for worsening ethnic relationships. In the Southeast the proportion is over one half (54%). Less critical views are held in the Northeast and Southwest, although even there the proportion who considers that national politicians worsen ethnic relations is above one-third.

Table 3-2: Net influence of National and Local Politicians on ethnic Relations (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>National Politicians</th>
<th>Local Politicians</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>-29</td>
<td>1</td>
</tr>
<tr>
<td>Northeast</td>
<td>-28</td>
<td>-19</td>
</tr>
<tr>
<td>Pelagonia</td>
<td>-23</td>
<td>-5</td>
</tr>
<tr>
<td>Polog</td>
<td>-19</td>
<td>-20</td>
</tr>
<tr>
<td>Skopje region</td>
<td>-29</td>
<td>-21</td>
</tr>
<tr>
<td>Southeast</td>
<td>-38</td>
<td>-9</td>
</tr>
<tr>
<td>Southwest</td>
<td>-20</td>
<td>1</td>
</tr>
<tr>
<td>Vardar</td>
<td>-26</td>
<td>-13</td>
</tr>
<tr>
<td>All</td>
<td>-26</td>
<td>-12</td>
</tr>
</tbody>
</table>

Source: PCA Survey July/August 2008.

If we compare the differences in each region between the proportion of people who consider that national politicians improve ethnic relations, and the proportion who consider that they worsen ethnic relations, we can see that in all cases this difference is negative, in other words people’s overall assessment is that national politicians have a net negative impact on ethnic relations (see Table 3-2). However, this negative impact is greater in some regions than in others. The greatest negative influence of the national level politicians can be observed in the Southeast where the difference between negative and positive perceptions is 38%, while the lowest net negative influence is found in Polog where the difference, although still negative, is just 19%. In contrast, the perceived net impact of local politicians on inter-ethnic relations is more benign, with two regions displaying a small net positive effect: the East and the Southwest. Local politicians have the most adverse perceived effect on inter-ethnic relations in the Skopje region, the Northeast, and Polog.
Comparing the two groups of politicians on the dimension of worsening or improving ethnic relations is also instructive (see Figure 3-7). In most cases, national politicians have a greater perceived influence in worsening inter-ethnic relations than do local politicians. This effect is greatest in the East, and generally is greatest in those regions in which there is least ethnic mixing, including the Southeast and Pelagonia. This implies that where people do not have direct experience of each other’s cultures, the effect of the national political debate has far greater influence in a negative direction on inter-ethnic relations. It is notable in this respect that the local politicians have about the same level of influence in worsening ethnic relations in Polog as do national politicians. In almost all regions, the local politicians do a better job than the national politicians when it comes to improving inter-ethnic relations, especially in the Southeast and the Southwest regions. Only in Polog are national politicians seen to be doing a better job of improving inter-ethnic relations greater than local politicians.

These findings concerning the malign influence of national political debate on inter-ethnic relations, and on the relative weakness of the local political actors in influencing the debate in a more positive direction, should be a major concern, given that the country is hoping to begin negotiations with the EU, which requires the fulfilment of a number of benchmarks related to political dialogue and stability.

The survey also indicates that people consider the influence of the mayors on inter-ethnic relations is relatively low. Regardless of whether this is due to their inability, their lack of interest or other reasons, they will need to take a role in the rapprochement of ethnic communities and find ways for building more trust among them. Almost two thirds (63%) of respondents would not vote for a mayor from a different ethnic group. This outcome indicates that mayors lack legitimacy in the view of people from other ethnic communities. It reflects their failure to promote the interests of all people in their municipalities, and to ensure that people from all ethnic communities have benefited from the decentralization process. Local politicians who wish to be nominated as mayoral candidates for the local elections of 2009 therefore need to work harder to attract support from people from other ethnic communities and to reduce the level of prejudice among political activists.

**Education and ethnicity**

The younger generation is the future of the country and thus the educational resources at their disposal are of vital importance. Where education is separate and unequal, this bodes...
ill for the country’s future prospects. Unfortunately, primary and secondary education in each region remains ethnically segregated, with instruction offered separately by language group. The ethnic division of society has therefore manifested itself in the education system. Consequently, different ethnic groups live in essentially parallel worlds, and there is minimal, if any, cross-ethnic interaction for the moment.

Figure 3-8

Do you think that members of your ethnic community if given a choice, would send their children in school where other ethnic group is a majority?

Source: PCA Survey July/August 2008.

The integration of different ethnic communities is unlikely to take place if the trends of segregation in education continue to persist in the future. In all regions parents report an unwillingness to send their children to schools where another ethnic group is in the majority. In the country as a whole half of the respondents consider that very few members of their ethnic community if given a choice would not send their children in school where other ethnic group is a majority. This proportion rises to almost three-fifths in the Skopje region and the Southeast. The only regions where more tolerant attitudes are expressed are Polog and the Southwest. These results suggest that education integration is not likely to be a supportive factor for the future improvement of interethnic relations unless urgent measures are taken to improve people’s attitudes towards the integration of the education system. Education is the primary public institution in which entire generations of young citizens develop their cultural attitudes and where attitudes towards cultural segregation are formed, and the integration of educational experience across ethnic lines is therefore of critical importance.

On September 27th 2008 the media reported that Macedonian and Albanian pupils at the Struga high school resisted attending classes in the same shift, at the same school. The attempt to introduce mixed shifts with pupils from different ethnic communities was abandoned for the second time. In the previous year, similar attempts had been prevented by violent protests. A similar situation has also occurred in the ethnically mixed town of Kumanovo in the Northeast region. Since the incidents involving high school students in 2001 in two high schools which were ethnically mixed, high school students no longer attend education in the same high school buildings. The high school education is organized in a segregated way in Kumanovo. The Albanian
high school pupils attend school in improvised buildings in the part of the town inhabited mainly by ethnic Albanians, and the Macedonian, Serbian and Roma high school pupils attend the old school buildings in the parts of the town where no ethnic Albanians live.

In the city of Skopje, from time to time in the last few years incidents have been reported between high school pupils of ethnic Macedonian and ethnic Albanian background in the school yards or in the urban buses when students of different ethnic communities happens to attend the school in the same shift of the day. Since these interethnic tensions often escalate into violence, and the police are required to intervene and stop them, there are fewer and fewer shifts in high schools in which ethnic Macedonian and ethnic Albanian pupils mix together.

Under such conditions of ethnically separated educational system, the process of building a multiethnic society will take many years, unless radical changes in the system of education are carried out involving the introduction of ethnically mixed schools which would bring together the children of different ethnic backgrounds. Such a policy would require significantly large investment and improved educational quality in ethnically mixed schools in order to convince parents to send their children to them. Such an approach should be oriented both from top to down on national level and horizontally within the regions as well.³

Conclusions

The country’s two main ethnic communities, Macedonians and Albanians, remain stubbornly locked into separate parallel worlds, despite progress on resolving the country’s political crisis. In most cases, the ethnic groups are divided due to political and historical disputes. These divisions are misused by politicians, who manipulate them with rhetorical discourses, and so ethnic politics has become a fundamental driving force of public policy. In addition to the issue of ethnic identity, other factors also widen the division among Macedonians and Albanians. Albanians were a marginalized minority during the Communist era, and a latent competition between the two communities persists: ethnic Albanians wish to move from their felt status of second class citizens, and ethnic Macedonians wish to maintain their inherited position as titular nation. Although the Ohrid Framework Agreement addressed the problem of the ethnic polarization of the society, its main purpose was to maintain the existence of the state, improve the status of ethnic Albanians, stop hostilities between armed groups, and prevent further bloodshed through constitutional change rather than achieving full integration between the two communities.

As the country moves from stabilization and reconstruction to association with the EU and hopefully towards a more sustainable path of economic development, policies pursuing social cohesion at both national and regional levels become increasingly relevant, in particular having in mind the very high level of unemployment, as well as the social and regional dimension of ethnic problems.

It is of vital importance to every stable society that there is a consensus of the majority of its citizens concerning the important attributes of the community. If this consensus does not exist or if the relevant social structures do not participate actively in building such a consensus, sooner or later the difference in viewpoints, judgments, desires and strivings of the citizens will lead to conflict. It is worth noting that so far there has been a lack of consensus of the majority of the population about the most important institutions.

³ Almost half (45%) of respondents at national level believe that the ethnic relationship can be improved via the education system.
The problems regarding ethnic tensions in the country are immense and there are no easy recipes are available for their solution. The survey findings indicate there is some grounds for optimism due to the positive net expectations of future improvement in inter-ethnic relations in many regions and in the country as a whole. However, it will take time for this optimism to reduce the widespread fears of the potential for a further outbreak of ethnic conflict in the future. In the meantime interethnic tensions have frightened people, and this means that the prospect of a multi-ethnic future is still alive because the alternatives are too disturbing. One must hope that as national political leaders have achieved few significant results in the years since independence, that the actions and commitments of the local politicians in each of the regions, and especially the mayors of the municipalities, will be able to channel these fears toward positive goals, rather than nurture them for electoral purposes.

It is very important that the authorities of the country should foster improved inter-ethnic relations and generate horizontal cooperation between political leaders from different ethnic groups at the local and regional level. The devolution of power from the central government in Skopje to the local level that was mandated by the Ohrid Framework Agreement provides a real opportunity for improvements in policies towards inter-ethnic relations. Such policies should involve inter-municipal cooperation and collaboration designed to build trust between the diverse ethnic communities in the country.

The national authorities need to renew their commitment to advancing inter-ethnic dialogue and easing tensions, and more tangible progress needs to be made in parallel with the process of accession to the EU and NATO integration which does not marginalize the issue of interethnic relations from the priorities of the integration processes.

Many key elements of the Ohrid Agreement of August 2001 have already passed into law, but ethnic divisions remain a severe obstacle to effective social cohesion at the local and regional level, with alienation between different ethnic groups persists. Nevertheless there are also many signs of interethnic cooperation at local level, with for example high levels of inter-ethnic business relations in regions such as Polog and the Skopje region where the ethnic communities are mixed. Although the greatest tensions exist between the ethnic Albanians and the ethnic Macedonian majority, however other smaller groups who were not direct participants in the Ohrid agreement, notably Turks and Roma, also experience significant problems.

The local politicians should do more to reconcile the members of various ethnic groups through different approaches. The survey demonstrated the low proportion of people of various ethnic background that shop in stores owned by persons from other ethnic groups and the low proportion of people who visit restaurants owned by other members of other ethnic groups. Local municipalities and regions, supported by the central government, should support the cross-ethnic marketing of stores, shops, and restaurants, and cross-ethnic employment within them, in order to attract customers from other ethnic groups to visits them more often, feel more comfortable being spoken to in their native language, and improve inter-ethnic relations through greater degree of face-to-face contact.

The central government, local municipalities and international organizations should consider the concept of the ethnic mixed schools having in mind that the survey highlights the hesitation of parents to send their children to schools where other ethnic groups are present. Information campaigns should be implemented and security in schools should be increased in order to
encourage parents to send their children freely to the schools where other ethnic groups attend classes in the same buildings, otherwise the integration of the future generations from different ethnic groups will not take place. The survey also showed that many people consider that national politicians worsen ethnic relations. Therefore, national politicians should be more responsible in their statements and political discourse, and should and show a higher quality of leadership for the country and especially for the younger generations by including them in campaigns to encourage the ethnic integration in mixed schools and reduce the prejudices and fears of people in all regions of the country, especially those where people have less direct experience of interaction with members of other ethnic groups.

Taking into consideration the perceptions of the risk of violent ethnic conflict at a national level, the society and the authorities in cooperation with the international community representatives should re-discuss the appropriate mechanisms and forms for conflict preventions. The approach should be done on both, regional and national level. However, it should also be recognised that such perceptions do not reflect the perceived risks of ethnic conflict at the local level of individual municipalities. People's real fears of potential conflict in the areas where they live are far more muted. What is needed is a scaling down of the political rhetoric at national level, and a more serious attention to solving local problems, improving the institutions of local governance, involving people in shaping the future direction of local economic development, and stressing the advantages of cultural diversity and inter-ethnic collaboration in building vibrant and cohesive local communities.
A renewed interest in decentralization in developing and transition countries has accompanied the process of democratisation and economic transition that has taken place in these societies. Decentralization of public authority has been carried out in many countries in order to strengthen local governance, and to provide better conditions for people in their local communities, while in some countries the main reasons for decentralization have been political. Decentralization and local governance have become increasingly recognized as basic components of effective democratisation, since they provide an enabling environment in which decision making and service delivery can become closer to the people, especially to the poor. Central governments located in capital cities are often preoccupied with national and regional political issues, and often fail to provide adequate local services. They may suffer from a lack of political will needed to satisfy the needs of people in local communities. Political forces at local and regional level have different interests than those at the state level. Decentralization also has an economic dimension involving issues of scale and efficiency. For all these reasons, in many countries responsibility is shared between different levels of government. In federal countries a significant amount of responsibility for the implementation of policy in many areas lies at the regional and local level. The regional level is often more effective for the purpose of inter-organisational cooperation and for improved economic and social development. Equalization mechanisms are usually designed to ensure that the resources to which regions have access do not vary too greatly, and to prevent the emergence of wide spatial differences in the quality of public services.

Whether for education, health care or policing, minimum standards are typically set centrally, even where operational responsibility and the delivery of services is vested in local or regional authorities. Some states take into account regional differences in the composition of the population, and other factors that influence the needs of the area for a disproportionate volume of public services, so that common standards of social welfare can be achieved. This applies especially to sectors such as education, where the proportion of the population which is of school or college age is clearly relevant, and to health and social services, where the relative number of elderly people is an important determinant of need for an improved quality of life.

In The Former Yugoslav Republic of Macedonia, decentralization has constituted both a concession of the central government to local interests, and an instrument for legitimizing the existing government and for preserving the unity of the country. It aims to improve the economy by motivating people to invest and develop their local communities. By stimulating competition, it may improve the efficiency of service delivery. Decentralization may furthermore increase popular participation in decision making in so far as it brings government closer to the people. Ideally, local government should be more accessible than central government, and due to its greater awareness of local conditions it may be more responsive to peoples’ demands. However, decentralization may also worsen the delivery of public services if carried out ineffectively. It requires coordination between the different levels of government and more regulation to ensure basic transparency, accountability and representation. The state also has to raise adequate fiscal resources to support decentralisation. For all this to be achieved, an effective state capacity is necessary. Moreover, to ensure that the decentralisation effort is not hijacked by local elites, and to ensure broad-based participation of the citizens, both a strong state and a mobilised civil society are required. However, there are serious weaknesses in administrative capacity and political accountability in the country and so the process of decentralization needs support especially in its early phases.
But what has been the real impact of decentralization on the provision of local services and the satisfaction of people with their lives? Do people feel more involved in decision making at a local level, and if not, how can more people be attracted to the decision making process? Do institutions of local governance, including the participation of NGOs and other institutions of civil society, contribute to improved social and economic development at local and regional level? This chapter seeks to answer these questions by presenting a comparative analysis of people's satisfaction with the institutions of local self-government and municipal services on the basis of evidence provided by the household survey. Opinions about the satisfaction with life in the local community, about satisfaction with municipal services, about the degree of contacts with local institutions, about participation in local self-government, and about peoples' effective influence over service delivery are presented. The chapter focuses on the regional and ethnic dimensions of local governance, and on experiences with local education and health services. In conclusion, the chapter evaluates the capacity of local municipalities to implement decentralisation for the benefit of the society.

Local Self-Government and Decentralisation

Starting in 2005, the country embraced an ambitious decentralization agenda. Some services which used to be under the competency of the central government have now been transferred to the competencies of the municipalities. This transfer has implications for the quality of life, since it implies a changed distribution of public services on a spatial level. The regional level of government is not yet developed although there are significant initiatives in that direction, following the definition of a set of NUTS 3 regions in the country.

With the enactment of the Laws on local self-government and on the territorial organization of the country, there has been a shift of focus towards local economic development. The increased role of local self-government has emphasised that local economic development has become a major issue for local administration. Initiative and originality in local development policy have become a concern of the local authorities as “a process through which the triangle created by the public sector, the business sector and the non-governmental sector is functioning in synergies and acting collectively in order to create better conditions for economic development and jobs for the new generations, with a view to creating well-being for the society as a whole” (Bexheti, 2008).

Decentralization is also expected to lead to a more equitable allocation of financial resources between the units of local self-government on the basis of clear criteria, to the development of local resources, and to the creation of a legal and political framework to improve the quality of the administration. Many different kinds of services are provided by local municipalities including traffic, education, social services, health, environment and other services. The move towards decentralization was made through the 2002 Law on Local Self-Government which transferred a wide list of public functions from central to municipal authorities. Some particularly important areas for which the local self-governments now have responsibility include:

- Urban planning and environmental protection
- Control of construction activities
- Responsibility for local economic development
- Support for small and medium size enterprises and entrepreneurship
• Local networks and agencies for promotion of public-private partnerships
• Public utilities, cemeteries, and fire protection
• Local public transport, regulation of traffic and parking
• Promotion and conservation of the cultural heritage
• Sports, recreation, parks and open spaces, and green markets
• Social security
• Primary and secondary education
• Centres for pre-school children, orphans, and socially vulnerable people
• Homes for the elderly and the disabled
• Primary health care and public health

In addition, municipalities are free to explore different modes of service delivery such as public-private partnerships, contracting out, and concessions and have the right to establish partnerships with other municipalities in order to benefit from economies of scale.

The law prescribes the implementation of fiscal decentralisation in two phases, depending on the municipality’s capacity for assuming its new responsibilities. The first phase transfers functional responsibility in a number of areas, and personnel and assets, from the central government to local governments. Local financing mechanisms are introduced to provide municipalities with the means to carry out their responsibilities including local property tax, tax sharing mechanisms, and transfer formulas. The second phase of fiscal decentralization follows the assignment of responsibilities to various fields including culture, social welfare and child protection (kindergartens and homes for elderly), education (primary and secondary school) and healthcare (public health organizations and primary care). This second phase is conditional on the successful completion of the first phase, including having established the capacity of the financial officers, having reported to the ministry of finance regularly and on time over a period of 24 months, and being free of debt.

The freedoms of the institutions of local self-government are limited by their responsibilities as well as by central government competence at local level in areas where services are provided by both authorities. In some cases, local authorities are unable to fulfil their legal obligations due to limited financial, organizational, or human resources. In such cases, they are perceived to be performing inadequately and failing to fulfil their plans for service improvements. That is the reason why many Mayors seek a more rapid implementation of decentralisation, and request greater financial independence and unlimited decision making powers.

Decentralization of decision-making and competences, undertaken in order to increase the citizens’ direct participation in decision-making regarding future activities, is of great importance for the quality of life at local level. To this end, Law on Territorial Organization of the Local Self-Government in The Former Yugoslav Republic of Macedonia was adopted in 2004. Based on this law, the country is organized in 84 municipalities, out of which 34 are based in towns, 10 belong to the capital city of Skopje and 40 are based in a rural settlement.

The Quality of Life in Municipalities and Regions

Good local governance is one of the main factors influencing the quality of life at local level. In this section we take a regional view of people’s perception of the quality of life in their

1 water supply; conveyance and treatment of wastewater; public lighting; treatment of rain water; public cleanliness; collection, depositing on landfills and processing of municipal waste
municipalities, and their satisfaction with the quality of local public services. First of all, the survey enquired into how life in the municipality had changed in general over the previous six months. Almost three-quarters (72%) of respondents considered that their life in the municipality had not changed, whereas almost 16% considered that their life had improved compared to 13% who considered that it had worsened.

**Figure 4-1**

Net change in your life in the municipality over the next six months
(difference % expecting improvement less % expecting deterioration)

Source: PCA Survey July/August 2008.

Considering the net expectations for improvement in the respondents’ quality of life in their municipality in the six months following the survey, significantly more (26% expected an improvement than expected a deterioration (see Figure 4-1). The net expectations for improvement were highest in the Northeast, Polog and Vardar, and lowest in the Southeast and the East. Comparing ethnic groups, almost three times as many ethnic Macedonians and other ethnic groups (11%) considered that the situation over the subsequent six months would deteriorate, compared to ethnic Albanians (4%). On the same time almost three fifths of all ethnic groups considered that the situation would not change, while about one third of each group expected an improvement. Overall, people’s expectations appear to be fairly optimistic, although there is certainly room for improvement. In a period of uncertain changes in the economy, it is normal that the expectations for the quality of life have such orientation. Simply, people are realistic about the possibilities for a better life in their municipalities.

**Issues That Worry People**

The survey asked about the three issues that worried people in their municipality (starting with the most worrying). Over half of respondents (53%) reported more than three issues that worried them, while 12% were especially worried by two issues and 21% reported a single worrying issue in their local neighbourhood. The main issues that worry people about their local neighbourhoods are noise, air pollution, lack of access to recreational or green areas, and water quality. The most worrying issue by far is the lack of access to recreational or green areas. Over one third of people nationwide consider this to be a very serious problem. The greatest anxiety over this issue is found in the Skopje region, and in Vardar, where over two-fifths of the respondents consider that they have very many reasons to complain about this issue. Not surprisingly, the greatest concerns about noise are in the Skopje region, where there is heavy traffic in the capital.
city. The greatest concerns about air pollution are found in the Vardar region where about one third considers this to be a serious problem. Concerning water quality, the greatest concerns are evident in Vardar (38%) and in Polog (32%).

Many people perceive that the quality of local services is not at a level that could be expected. There is much scope for local state institutions to implement more effective systems, by improving incentives for officials to improve performance. New policies and procedures, drawing on experience in other countries should be adopted. This could include, where appropriate, privatization accompanied by control and regulation of service provision by local inspectors. Areas in which privatization of services could be expected to decrease costs and to improve quality include public safety, child care services, care of the elderly, transport, and garbage collection. It is important to note that privatisation does not need to take the form of a transfer of services to profit-making private companies, who may seek to increase profits by cutting quality. Alternative strategies, such as privatisation or spin-off to non-profit organisations and social enterprises should also be considered. Where such enterprises involve the local community, they are likely to aim for social goals rather than private ones, and could be expected to have a greater concern for the quality of services than purely private enterprises. While a key component of a successful privatisation strategy is competition - having sufficient firms in an area willing and able to bid to provide services - in practice at a local level it may not be possible to ensure a sufficient degree of competition among service providers. In such a context, social enterprises may have an even more important role to play in the provision of high quality social services, especially given the evidence of government failure in this area, and the likelihood that low levels of competition would result in market failure if the for-profit private sector were to be given full rein.

Safety

Safety in the area where people live and walk around at night is a critical indicator of the quality of life in a local neighbourhood. Overall, the survey shows that most people consider their area to be safe, with two thirds assessing their area as either rather safe or very safe. However, one tenth consider that their area is unsafe, indicating that a significant minority have anxieties related to this issue. The greatest anxieties about safety are found in the Skopje region, where almost one fifth of respondents consider their area to be rather unsafe or very unsafe to walk around at night. Crime is frequent in the Skopje region, and is widely reported in the media, raising people’s anxiety about this issue. This is an important issue for the Mayor of Skopje and the mayors of the municipalities, who should consider such unpleasant perceptions and take necessary measures to improve the security in the region.
The Impact of Decentralisation on the Quality of Life

The survey asked people whether the process of decentralization will improve the situation in the local community.

**Figure 4-2**  
Whether the process of decentralisation will improve the situation in the local community (balance of expectations to improve or worsen)

![Chart showing the balance of expectations for decentralisation improvement across different regions of the country.]

Source: PCA Survey July/August 2008.

Overall, more than one third of people considered that decentralisation will improve the situation in the local community, compared to almost one tenth who thought that the situation will deteriorate, giving a net balance of 25% assessing the impact of decentralisation in favour of improvement (see Figure 4-2). Regionally the greatest net balance of expectations for an improvement from decentralisation is in the Southeast and the Skopje region, while the lowest expectations are in the Southwest, Vardar and the Northeast.

Satisfaction with Municipal Services

Taking all local public services together, the survey enquired into people’s satisfaction with the services provided by the municipality. Almost half (45%) of the citizens are average satisfied, over one third (35%) are either somewhat dissatisfied or very dissatisfied with their local services. Only one fifth of people (20%) are either somewhat satisfied, or very satisfied, with the services that are provided by their municipality.
There is a significant regional variation in the degree of satisfaction with local public services. Relatively high levels of satisfaction can be found in Pelagonia and the Southeast, while relatively high levels of dissatisfaction are found in the Northeast, Polog and the Southwest, with Polog showing the highest level of dissatisfaction (see Figure 4-3). These differences across regions may reflect different levels of development and infrastructure available for providing services. Considering ethnic groups, one quarter of ethnic Albanians are dissatisfied with the services provided by municipalities compared to just under one fifth of ethnic Macedonians. Other ethnic groups appear to be even more dissatisfied with their municipal services.

Health services, education, public transport, and social services are under the responsibilities of local self-government. The survey enquired how citizens rate the quality of these local public services in their municipality. Only a minority of people rate the quality of these services at a high level. Only just over one third (37%) regard the quality of health services to be fairly good or very good quality, while slightly more (42%) report the same for education services. The services which receive the lowest assessments are public transport, for which only just over one fifth of people (22%) regard as having fairly good or very good quality, and social services where the proportion is slightly lower (21%). More than one third of people (36%) assess public transport to be of either fairly or very poor quality. These findings indicate quite a high level of dissatisfaction with local public services. Local and state governments should consider improving the quality of these services, especially transport and social services.
Evaluation of the Work of the Local Municipalities

The survey asked specific questions about the performance of the local municipal council.

Figure 4-4

**Performance of local municipal councils % who assess that the council does “a great deal” to:**

- Make locality a better place to live
- Make area safer
- Make area cleaner and greener
- Improve town centre
- Is trustworthy
- Is neither remote nor impersonal
- Involves residents in decision making
- Promotes the interests of residents
- Listen to concerns of local residents
- Acts on concerns of local residents
- Works well with other agencies

Source: PCA Survey July/August 2008.

Overall relatively few respondents considered that the local council was doing a great deal to improve the conditions in the municipality (see Figure 4-4). The least satisfactory area of performance was in relation to the effort of the council to involve residents in decision making, while councils do not perform much better in relation to their efforts to act on the concerns of local residents, or to promote the interest of local residents. Following closely at the low end of the scale of opinion concerning council performance is whether the council is trustworthy, spends its money wisely, or provides good value for money. Respondents were rather more satisfied with the performance of the council in relation to environmental issues. The greatest support for councils’ efforts was in the proportion of respondents who considered that their council was
doing a great deal to make their area cleaner and greener, while a relatively large proportion also considered that councils perform well in relation to improving town centres, making their area safer, making their locality a better place to live, and in being neither remote nor impersonal.

Figure 4-5

Relative performance of municipal councils:
Value for money (index based on national score for each element = 1)

Source: PCA Survey July/August 2008.

Turning to the regional picture, there is significant variation in the perceptions of the performance of councils across the regions. Figure 4-5 and the figures which follow present an index measuring the relative performance of municipal councils. The scores for each element in the stacked bars represent the relative performance of the councils in each region measured against the national average. The measure adopted is the proportion of respondents who assessed that their local council did “a great deal” to provide services in the indicated field (e.g. being efficient and well run”).

Two regions, the Southeast and Pelagonia stand out as having the best performance in terms of value for money. There are seen to be relatively efficient and well run, provide good value for money, and spend their money wisely. In contrast the East region and Southwest perform relatively poorly on this measure.

Figure 4-6

Relative performance of municipal councils: Citizen Participation (index based on national score for each element = 1)

Source: PCA Survey July/August 2008.
The Southeast region and Pelagonia also stand out as good performers in terms of participation of residents (see Figure 4-6). Their efforts to involve residents in decision making are more appreciated than elsewhere, as are their efforts to promote the interests of residents, listen to the concerns of residents, and to act on those concerns. The East and Polog perform the least well on these measures.

Figure 4-7

**Relative performance of municipal councils: Trust and Responsiveness**

(index based on national score for each element = 1)

![Graph showing relative performance of municipal councils in terms of trust and responsiveness. The Southeast and Pelagonia are the top performers, followed by Vardar, Skopje region, Polog, and the Northeast. Polog and Vardar perform the least well.]

*Source: PCA Survey July/August 2008.*

In terms of trust and responsiveness the Southeast and Pelagonia again attract the most favourable views of respondents, being both trustworthy and neither remote nor impersonal (see Figure 4-7). The poor performers on this dimension are Polog and Vardar.

Figure 4-8

**Relative performance of municipal councils: Environmental improvement**

(index based on national score for each element = 1)

![Graph showing relative performance of municipal councils in terms of environmental improvement. The Southeast and Pelagonia are the top performers, followed by Vardar, Skopje region, Polog, and the Northeast. Polog and Vardar perform the least well.]

*Source: PCA Survey July/August 2008.*

Finally, the Southeast and Pelagonia also score relatively well on environmental issues, including making the locality a better place to live, making the area safer, cleaner and greener, and improving town centres (see Figure 4-8). The worst performers on these dimensions on the basis of respondents’ perceptions include Polog and the Northeast.
It should be noted however, that these differences are observed within a context in which no regions have more than a quarter of respondents agreeing that the local council has done a good job on any of the issues mentioned, apart from Pelagonia for two of the environmental questions, namely, making the locality cleaner and greener and improving town centres. This overall, is a very disappointing outcome for the peoples perception of the performance of their municipalities, given that a significant effort has been made to decentralise power and competencies to the local level. All these answers could be taken as suggesting the great need for further initiatives to improve the work of local councils and to encourage them to do more for people who live within their jurisdiction.

**Providers of Services**

Local public services are provided on different ways, depending on the responsibilities of the local authorities. Some of these services are based on the contracts with private providers or with NGOs. A synthesis of several question are presented in the next table in which the citizens give their assessment about who they trust to do the best job in providing different types of services.

**Figure 4-9**

![Graph showing public opinion on service providers](image)

*Source: PCA Survey July/August 2008.*

Not surprisingly, more than half of the respondents consider that central government would do the best job in providing police services (see Figure 4-9). However, it is surprising that a majority consider that central government would be the best provider of education services, as this is one of the key sectors which is the focus of the process of decentralisation. This finding should give pause for thought over whether education services can really be best delivered on
a decentralised basis, or whether a degree of centralisation is needed to ensure consistency in service delivery across the country. There are significant differences between ethnic groups in their opinions relating to the provision of education services, with more ethnic Albanians (62%) considering that central government should retain control over supplying educational services, than in the case of other ethnic groups. A majority of people also consider that water supply and rubbish collection would best be provided by the municipality.

Opinion was divided over which organisation should be the best provider of other services. Central government was viewed by the greatest proportion of responses to be the best provider of domestic electricity and gas services, health services, and employment services. Municipalities were similarly judged to the best provider of social services. Perhaps surprisingly, NGOs were judged to be the best providers of public transport services.

**Figure 4-10**

Who do you consider would do the best job in providing education system?

![Bar chart showing preferences for providing education system](source)

If public administration can satisfy the public demand for services, they add real value to society. The concept that the public administration and services create value for citizens is quite different to how the public administration is viewed by the public today. It is also different to the concept accepted by many public officials, who continue to view themselves as masters, rather than servants of the public. It is therefore important that the administration should focus on results and on value for money, on devolution of authority and enhanced flexibility, on strengthened accountability and control, on a client-and-service orientation, on strengthened capacity for developing strategy and policy, on the introduction of competition and other market elements, and on a changed relationship with other levels of the government.

**Economic Development and the Promotion of Small Businesses**

An important element of local economic development is the promotion of entrepreneurship and the development of small private businesses which can create employment and act as a motor for local economic development. More than one eighth of the respondents (14%) declared that they are in the process of starting a business. Amongst ethnic groups, 15% of ethnic Macedonians, 11% of ethnic Albanians, and 11% of other ethnic groups are in trying to start a business. There is a large gender differences in the intention to start a business, with two thirds of those intending business start up being men, and correspondingly only one third being women.
However, only a relatively low proportion of people (12%) declared that the local municipality had given them any assistance in starting their business. The ethnic distribution shows that among ethnic Albanians, 17% confirmed that their local municipality gave them assistance in starting business, compared to 11% of ethnic Macedonians and 14% of other ethnic groups. This relatively low level of assistance could be improved, in order to support job creation at the local level.

The main difficulties that people face in starting a business are financial, with almost 71% reporting that difficulties related to finance were a real problem for them. Far fewer reported any other type of difficulty in business start-up, whether it was legal problems, human resources, or advisory services. However, amongst other ethnic groups, 14% reported that a second major difficulty in business start up has been legal obstacles.

Figure 4-11

Three main difficulties you have faced in starting a business (%)

Source: PCA Survey July/August 2008.

These results suggest that people need much more financial support for starting business than is currently available, and that local authorities should offer new services of this type. They should make greater efforts to attract banks, saving houses and assistance programs for the support of small businesses on the territory of their municipalities. By offering financial support, subsidised premises and locations, improved infrastructural facilities, and attractive possibilities for business start-up, municipalities could make a significant contribution to economic development. This is especially so since local municipalities are obliged by the law to stimulate local economic development. They are also required to identify developmental and structural priorities, support for businesses and small and medium-size enterprises (SMEs), and otherwise realise the human and natural potential of municipalities. Their assistance should therefore be more effective than it currently is, especially for start-up businesses.
In the case of the support for SMEs, standards should be established for the support of start-up companies, and the creation of business incubators, technological parks, and innovative centres. Such support is important because many start-up businesses face institutional obstacles that should be removed. Some local authorities are creating strategies to promote economic development using a variety of means, and with diverse targets. These strategies include, among others, assistance for technology and innovation, help for restructuring industries facing difficulties or long-term contraction, support for SMEs, and incentives to inward investment. All these activities influence local development, which in the medium- to long-run can be expected to improve the quality of life of the citizens.

All kinds of limitations, especially legal obstacles, arise in local municipalities that hinder the start-up of new businesses. These obstacles should be evaluated by local authorities for consideration of appropriate changes. Local authorities should review their regulations and formalities, and simplify their procedures relating to business start-up, involving business associations in the process wherever possible.

It is also important for policies at local level to promote community participation in governance, in order to build local social capital. By involving people in the governance of services, participants build relationships with public institutions or officials that give their community access to valuable external resources, including financial support and political leverage. By improving accountability, responsiveness and participation, effective decentralization can make the provision of local social and business services more efficient, equitable, sustainable and cost-effective. Community assistance for start-up businesses, education, participation in decision making, planning, implementation and monitoring and backed by appropriate institutions and resources, can go a long way to improve the quality of life, particularly of the poorer and more marginalized sectors of the population.

Basic education has become a local government responsibility. It is important to see that it is adequately funded, and that local schools perform well, and that they maintain equal opportunities and meet appropriate standards in terms of outcomes. Local authorities should also play an important role in the efforts to increase the enrolment of students in primary and secondary education at the local level, through direct contacts with families, state agencies, the private sector and educational institutions.

**Participation in the Institutions of Local Self-Government**

The survey showed that four-fifths of people consider that they have no influence over the decisions made by the local municipal government. This is similar to the finding in March 2008 edition of this report concerning the low level of influence on decision making at the central government level. It also corresponds to the opinion of citizens about their influence on the political party’s decision making process. All this should be a matter of serious concern for politicians on every level.
Overall, almost four fifths of respondents considered that they had no influence over the decisions made by their municipal government (see Figure 4-12). There is considerable variation in the proportions which considered that they had a much or a little influence, varying from over a quarter in the Northeast and the Skopje region, and just under a quarter in Polog, to just over one tenth in the East and Southwest regions. However, hardly any respondents from any region considered that they had a large degree of influence over decisions made by local municipalities. Considering ethnic groups, a greater proportion of Albanians than Macedonians considered that they have some influence on the decisions made by local municipalities, but most people from other ethnic groups (86%) considered that they have no influence at all. The apparent lack of influence of people on their institutions of local self-government does not accord with the principles of a democratic society. Such attitudes could negatively affect the political legitimacy of the policy makers and influence the low level of confidence in the institution on the state or local level. This suggests an important role for the introduction of policies to increase people’s participation in the decision making process at the local level.

Source: PCA Survey July/August 2008.
Would you like to be more involved in the decisions your local municipality council made?

- **Whole country**: 50% Yes, 50% No
- **Vardar**: 30% Yes, 70% No
- **Southwest**: 40% Yes, 60% No
- **Southeast**: 35% Yes, 65% No
- **Skopje region**: 50% Yes, 50% No
- **Polog**: 40% Yes, 60% No
- **Pelagonia**: 30% Yes, 70% No
- **Northeast**: 35% Yes, 65% No
- **East**: 30% Yes, 70% No

*Source: PCA Survey July/August 2008.*

Similar results are found concerning satisfaction with the opportunities for participation in local decision making provided by the local municipality. Generally almost two-thirds of respondents do not wish to be more involved in the decisions of the local municipality that affect their local areas. It is however remarkable that more than one third of people are interested in being more involved in this process. Regionally the greatest interest in having more involvement is found in the East where over two-fifths of respondents declared that they would like to be more involved in the decisions of their local municipality (see Figure 4-13). Presumably, this is related to the finding reported above that the East is one of the regions where people consider that they have the least involvement in decisions made by their municipality. The least interest in having more involvement is found in Vardar, where only just over one quarter of respondents expressed an interest in greater involvement.

It may be that people’s lack of willingness to become involved is based on negative experiences during previous periods when such involvement was not often accepted, or alternatively that people are simply satisfied with their current level of involvement and service provision. Other reasons could be simple inertia, or people’s inexperience of participation in the institutions of local governance. Lack of information about municipal government organisation may also place obstacles against greater citizen involvement in local democracy.

In addition, almost one third of the respondents were very dissatisfied with the opportunities for participation in local decision making, with the greatest level of dissatisfaction found in Polog where almost 35% of respondents were very dissatisfied, compared to just 18% in Pelagonia. It could be that people are not sufficiently informed about the possibilities which they have to participate in local decision making. It is also possible that people do not care about such issues, or that they do not have sufficient time available to participate.

These findings suggest that there is a need for greater participation in local democratic decision making. There is an evident strong interest in voting for local representatives, since over three quarters (78%) of people included in this survey voted for their representatives in the last municipal election, a far greater turnout than for national elections.
In strengthening their relations with citizens, governments must ensure that:

- Information is complete, objective, reliable, relevant, and easy to find and to understand.
- Consultation has clear goals and rules defining the limits of the exercise and government’s obligation to account for its use of citizens’ input.
- Participation provides sufficient time and flexibility to allow for the emergence of new ideas and proposals by citizens, as well as mechanisms for their integration into government policy-making processes.

**Contact with Institutions of Local Governance**

People need to have contact with their institutions on the local level, and the arrangements for effective local governance with respect to public information and consultation are therefore a crucial element of decentralisation. However, when respondents were asked whether, over the preceding six months, they had contacted any of the persons in the local municipality to help them in solving a problem that they faced. Overall, relatively few people who had a problem had contacted the mayor, a local elected counsellor, or a local official. Only 7% report an issue or problem to the council, and only 2% ask for advice on how to resolve it. There are few differences among ethnic groups in contacting local elected representatives, or council officials, as a means of solving their problems at a local level.

Direct contact with a mayor or local councillor can be seen as an important avenue for direct participation in local governance. Mayors and councillors have responsibilities and duties towards their electorate and not simply with the administration of local affairs. In a properly functioning democracy, local elected representatives should be accessible and open to approaches by local people about their problems. Such approaches should be open and formal, rather than hidden or informal, since the latter could open up avenues for corruption and unfair resolution of local disputes and problems. The survey showed that only 8% of the population had contacted the mayor to solve a problem, but only one third of these had their problem solved in this way. This procedure was more common in Vardar and the Southeast than elsewhere, but appears to have been less successful than in the Northeast or Polog. Other people attempted to solve their problems by contacting a locally elected counsellor. Again, about 8% of people who did have a problem attempted to resolve it in this way. Relatively more people in the Southeast (16%) and Vardar (15%) attempted this route, and while one third of these were successful in the Southeast, hardly any in the Vardar region met with success in this way. The findings indicate that relatively few people regard contact with local mayor or counsellor to be important in solving their problems. This could be due to inertia, or to inexperience concerning procedures in relation to the local authorities.

There are also some worrying findings concerning the fairness of treatment by local public officials. While almost 13% consider that they are treated fairly, as many as one fifth considered that they were treated unfairly. In the Polog-region the proportion who consider that they are treated unfairly is more than one third (35%), which must surely raise concerns about the effectiveness of local administration in this region. Considering differences between ethnic groups, almost half (47%) of ethnic Macedonians consider that they have been treated fairly by local public officials compared to only just over one fifth (22%) of ethnic Albanians. Such large differences raise worrying concerns, and suggest an urgent need to design appropriate policy solutions.
Participation in Institutions of Local Governance

The rights of the citizens to participate in institutions of local governance are important aspects of the quality of life in a locality. Participation in decision making in local self-government could be evaluated by looking at people’s participation in local councils, local government and representation of all population groups. In the municipalities, the local representative bodies of self-government are directly elected. In addition, the Constitution has established the principle of direct democracy at the local level. The most popular form of direct democracy is holding a local referendum on issues of self-government and community affairs, as stipulated by law. Local referenda are conducted on issues for which public opinion is considered to have a significant impact, such as matters concerning state decisions in the field of territorial and local government organization. Other forms of direct democracy—consultative referendum, local meetings (gatherings) of citizens, citizens’ petitions and citizens’ initiatives—are also used as methods of local governance. The right of citizens to attend the sessions of the local council also is considered a form of direct democracy. Meetings of local councils are public unless otherwise stipulated by law. However, reporting by the elected representatives to local bodies, or to the public, concerning their activities is seldom practiced. Such practice could increase the accountability of the local elected representatives, and improve their relations with citizens.

Participation in such institutions does not automatically lead to an improved quality of life. The quality of such participation in decision making in the municipalities is also an important factor to empower people to reveal their needs and preferences. This could be attempted through new forms of collaboration between citizens’ groups and the public authorities. In this respect, it is important to understand how people evaluated the possibilities to participate in the local institutions and to influence the processes that they are interested in. Respondents were asked whether in the previous six months, they had given their views on local services, or issues that affected them as a resident, in a variety of ways; and in which ways they would like to give their views.
Figure 4-14

Given views and way to do that

<table>
<thead>
<tr>
<th>Have given your views in last six months? (%)</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ways in which would like to give views (%)</td>
<td></td>
<td></td>
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<tr>
<td>Writing letter/email</td>
<td></td>
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<tr>
<td>In a focus group</td>
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<tr>
<td>In a survey</td>
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<tr>
<td>Signing a petition</td>
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<td>In a telephone call</td>
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<tr>
<td>With councillor</td>
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<td>With council staff</td>
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<tr>
<td>With a group</td>
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<td></td>
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<tr>
<td>Public meeting</td>
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</tbody>
</table>

Source: PCA Survey July/August 2008.

Relatively few people had participated in local governance by giving their views about local services, or issues that affect them, whether through public meetings, residents’ groups, meetings with council staff, a councillor, focus groups, or by telephone or letter to the council. However, just over a quarter had participated in a survey or questionnaire. This is in line with the discussion above concerning people’s lack of interest in presenting their views or participating in decision making in the institutions of local self-government. Since it is widely held that the promotion of community participation in governance is important in building social capital, these findings suggest that additional measures are needed to increase people’s motivation to express their views to local institutions and to participate more actively in the decision making processes.

Changes are required to improve the situation. For example, local officials and representatives should take a more pro-active approach to connecting with people and to help them express their views. The challenge for councillors is to embrace a new, clearer role of community engagement. Closer attention should be paid to the incentives for participation, as increased participation is fundamental to the effective devolution of power and improved local governance. Participants in local governance will find it much easier to mobilize others, and plug into their networks, if the formal institutions they use are those where real power lies. Change to the culture of participation is likely to be more effective in the long term than inventing more and more structures of formal participation.

The role of civil society and NGOs could be instrumental in improving local governance, and in fostering social mobilization and social networking at local level. Such activities can play a very significant role in influencing people to participate in local decision making processes. Also, local authorities, Mayors, councillors, and council officials should introduce greater transparency in their work, and should provide better information to the public about their work. Better information should be provided to people concerning all aspects of the process of decentralisation and its effects on people’s lives.
Membership of Local Associations

Associations of citizens are an important form for participation and influence in the decision making processes in the local community. Anyone can form a citizen's association for activities of the local community. Associations are formed according to the relevant Law and can be easily officially registered. However, a lack of public awareness, the absence of a culture of participation, and the weak “voice” of the poorest and most marginalized sections of the population, have inhibited the development of strong associations that are capable of influencing the local authorities. The responsibilities of such associations and the design of methods to enable people to make more effective use of them is an important policy issue for local and regional development. By becoming more responsive to the needs of all sections of the community, particularly the poor and the marginalised, the decision making process should be changed and be less dominated by local elites and government functionaries with little, if any, popular participation.

Partnership between NGOs in local government is required to facilitate the exchange of experience and the dissemination of information about local government matters. Other types of associations could also be helpful in organizing and motivating people to participate in the social and economic development of the municipalities. Some NGOs have developed systems to collect and disseminate innovative practices in local government, arrange discussions for the presentation of different opinions, conduct surveys and organize training seminars for politicians and local government administrators. Such partnerships between central and local governments and NGOs have created benefits for both local government and civil society. Many other organizations, associations, clubs, and institutional forms have contributed to the creation of a set of social relations which are far wider than the formal institutions of local self-government.

In recent years, the NGO sector has increased its ability to carry out advocacy and lobbying activities, as well as to cooperate with local governments. NGOs have participated in public discussions to identify priorities for local development. NGOs have been cultivating relationships with local governments, and the majority of mayors understand the need to partner with the NGO sector. Some of them have even created NGO liaison positions to coordinate activities between NGOs and the municipal government. Around 300 active NGOs (out of 6,000 registered) have played a significant role in defending citizens rights, and encouraging citizens’ involvement in the decision making process. With good programs and projects these NGOs could be even more active in promoting awareness, and providing information about the activities of local self-government.

Other actors such as small and big businesses, entrepreneurs, workers, craftsman and people from services sectors, consumers, all influence local decision making processes and contribute to the local quality of life. They are organized on different ways and forms of associations and organizations. Membership in these local associations provides an organized way to lobby, and to make pressure to promote local interests. Their voices are always present when questions debated in the local municipalities concern them. Local governance should involve all such interests within civil society to assist with the mobilization of resources for local economic and social development. Since the local self-government institutions are relatively weak, the influence of these additional actors can have a significant impact on local development and the local quality of life of the citizens.

2 “Me and My Municipality” Handbook about the process of decentralisation in Republic of Macedonia, ALKA, Skopje, 2007
The different interests of local stakeholders could be connected through strategic planning for long-run development activities at the local and regional level. Also public opinion should be respected in all phases of the decision making process because the support from such opinion is important for organizing development activities in the local and regional communities.

Conclusions

Different variants of the distribution of responsibilities between central and local government could be established. Current policy is to decentralize government responsibility in order to increase the effectiveness of government institutions. In pursuit of this, more and more diversified legal and financial instruments have been applied to support municipalities to improve their work, which, in the end, will result in better quality services and in an improved satisfaction of people's needs.

It is important for public officials, civil servants and practitioners to understand how citizens form their judgments regarding local government services, and on that basis to establish feedback and mechanisms for better presentation of their activities. If dissatisfaction with services is prolonged, and expectations are not realized, then this will adversely affect the process of decentralisation.

Decentralisation is one way to meet local expectations in democratic societies. However, the system has not provided adequate tools to monitor people's satisfaction with public services, for which regular mechanisms should be established. In addition, civil service recruitment procedures should be improved to create a competent and politically neutral administration. A career-based civil and public service system should be supported through comprehensive career development planning in order to increase professionalism and provide for effective leadership. It is important to strengthen accountability and control at all levels of the civil service system. Additionally clear methods should be established for measuring progress toward those goals.

Procedures which allow citizens to have a greater degree of participation in local government should be introduced. The relationship between local governments and citizens should be put on a partner base. Citizens are users of public services provided by local authorities, and pay either directly or indirectly through the collection of fees and taxes. A more active participation of citizens in public affairs are needed such as bringing citizens closer to the decision making process; providing better information for them; and making greater use of mechanisms of control and redress.

Linked to this are efforts to improve public service delivery. Improvements in local public services could be supported by a higher degree of cooperation, partnership and understanding among all levels of government. The capacities of local self-government should be strengthened through direct support from the state, including training of local officials and administrators, and through the active engagement of local associations, organizations and NGOs. The quality of the services provided by municipalities can be improved through cooperation with nonprofit organizations, delegating functions to nonprofit organizations, or establishing partnerships with them. These methods could be used to build partnerships between the public sector, the private sector and civil society, with a view to enlarge the scope of citizen participation at the local level.
It is important for policies at the local level to promote community participation in order to build social capital. By involving people in the governance of services, participants can build relationships with public institutions and officials that strengthen community access to valuable external resources, including finance or political leverage.

Local economic development is important for improving the quality of life in the municipalities and regions. The promotion of small and medium sized businesses is a central component of such development, but is hindered by weak systems of local governance. Local municipalities, supported by the central government, should include among their criteria for tendering commercial projects the extent to which they include cross-ethnic businesses. That is one basic step that should be the focus of a national strategy which should be implemented in multi-ethnic, border, mountain, and other regions. Otherwise, it seems unlikely that the incidence of cross-ethnic business could increase. More should be done in particular to encourage the development of cross-ethnic businesses involving the two major ethnic communities, ethnic Macedonians and ethnic Albanians. The survey has shown that the there is already a fairly reasonable amount of inter-ethnic business activity between these two groups, and this could be a basis on which to develop this approach for all ethnic groups within the country.

Local authorities should also play an important role in increasing enrolment rates in primary and secondary education, through direct contacts with families, state agencies, the private sector and educational institutions. Basic education is becoming a local government responsibility. It is important to see that it is adequately funded, and that local schools perform well maintain equal opportunities, and meet appropriate standards. In this context it is necessary to modernise the curricula and link them in a functional manner with the needs of the labour market, while at the same time improving the quality of the teaching staff, especially of those working in rural areas. This could be done by providing additional incentives, introducing compulsory and continuous assessment of the quality of the staff, as well as their professional promotion. Continuous education and re-education of teaching staff should be a standard practice.

Improvements should be envisaged as a process instead of a single step, because decentralising roles and responsibilities from the central level to the local level of self-government is an ongoing process that could be continuously improved. This is due to the fact that the responsibilities of the government are changing in response to new conditions and the needs and demands of the citizens. The final phase of organization and functioning of local self-government requires the creation of a modern local government as a prerequisite for the implementation of democracy and the rule of law.

To summarize, because of a greater degree of accountability, responsiveness and participation, effective decentralization can make a major difference by making the provision of local public services more efficient, equitable, sustainable and cost-effective. Through community assistance for business start-up, education, participation in decision making, planning, implementation and monitoring, all backed up by appropriate institutions and resources, the quality of life could be significantly improved, particularly that of the poorer and marginalized sectors of the population.
CHAPTER 5: RECOMMENDATIONS
This chapter presents a set of recommendations to policy makers based upon the findings and analysis in this report. The People Centred Analysis is designed to contribute to policy development in the country by developing evidence-based policy on issues of current importance to policy makers at all levels of government, as well as to decision makers in other important institutions. In this report we have focused on the new themes of the quality of life and regional development, while at the same time following the previous report in monitoring social exclusion, poverty, vulnerability and ethnic relations all of which are continuing concerns for the government as it presses ahead with its agenda for EU integration. Increasingly the EU accession agenda is imposing itself as a key dimension of government policy. This is normal for all candidate countries as they pass through a process of Europeanization in the pre-accession phase. The Europeanization process will become ever more prominent in the years to come as the country deepens its integration into the European Union. As the country begins to establish institutions relevant to planning local economic development at a regional level, the policies of the EU towards regional development will become especially relevant, as will the EU policies towards many other issues including rural development, and economic and social policy in general. In pushing forward this set of policy areas, the EU assistance funds through the IPA programme will become increasingly relevant to policy making.

Improving the Quality of Life

The survey has provided valuable information about the quality of life in the country. On the basis of the survey findings, the report has set out several factors which have contributed to the quality of life at the regional level, including household income, income inequality, poverty, and other factors such as unemployment and job security. Taking all these together, an index of the quality of life was developed which revealed that the highest quality of life in the country is enjoyed by residents in the Skopje region, while the lowest quality of life is found in the Northeast region of the country. Between these extremes, a wide variation in the quality of life is observed at regional levels. This finding emphasises the relevance and importance of developing regional polices to raise the quality of life in the more deprived regions. It should be recognised of course that there is also substantial intra-regional variation and that the issue of local economic development at a municipal level is one which affects all regions of the country to a greater or lesser degree.

The survey investigated the correlates of the satisfaction with the quality of life expressed and individual experiences of emotional well being (“happiness”). The survey findings confirmed a strong correlation with education levels. Better educated people are systematically happier and more satisfied with their lives. This suggests an important role for the government in improving the educational level of the least educated through continuing efforts to improve the quality of the educational experience in the country. Primary and secondary education have been devolved to local authority responsibility, through the decentralisation process, and it is important that this local responsibility is backed up by adequate funding from the central government, especially in areas of greatest deprivation such as the Northeast and other deprived regions and localities. The education system is a locus for considerable ethnic tension, and the practice of ethnic division at school level is one which bodes ill for the future of inter-ethnic relations. Information campaigns are needed, and security in schools should be increased, in order to encourage parents to send their children freely to the schools where other ethnic groups attend classes in the same buildings. The government and local municipalities should also consider setting up ethnically mixed schools, initially on a pilot basis.
At the level of higher education there has been a remarkable increase in the enrolment rate in recent years to levels far beyond that in other European countries. It seems that this has been driven by the rapid entry of new private faculties, and there is a need for enhanced regulation and monitoring of these institutions to ensure that quality standards are maintained and that the higher education system is not substituting paper qualifications for real human capital development. In addition, the survey revealed a rather low level of educational attainment along the dimension of foreign languages and ICT skills among the adult population. This should be addressed by far greater attention to programmes of lifelong learning and adult education. The government should consider setting up an Agency for Adult Education along the lines of a similar agency that has recently been established in Croatia in order to encourage the far greater participation of adults in the process of retraining and improved educational attainment which should not cease at the compulsory school leaving age. IPA component IV will support improving access to education through modernising the education and training system; and developing adult education and lifelong learning.

The survey also confirmed a strong correlation between satisfaction with the quality of life and the age of the respondents. Happiness and life satisfaction diminish with age, being lowest for the age group of 55 years and above. This suggests a clear role for policies towards improving the quality of life of the elderly. This age group is especially vulnerable to long term unemployment, and to poverty due to the low level of state pensions. While pension reforms have taken place in recent years designed to address the latter problem they will not solve the problem of low incomes of pensioners alive today. A concerted programme to improve the quality of life of elderly people is needed, based on further in depth research into their problems and needs. Decentralisation has transferred responsibility for old people’s homes to the municipalities, and these require sufficient support both financially and for staff training from the central government. The housing and health needs of the elderly population also need to be addressed, including both the issue of access to health care facilities, and the adaptation of housing to the needs of the infirm elderly population.

The survey also revealed a disturbing incidence of child poverty which is extremely high in some regions such as the Northeast. Anti-poverty measures should therefore focus on the issue of child poverty, based on further in-depth research and analysis of the causes of this phenomenon. Assistance for large families and single parents should become a priority of government policy in this area, as should the development of appropriate family policies and the training of social workers specialised in dealing with the problems of disadvantaged children.

Youth unemployment and long-term unemployment is a serious problem especially given the high level of unemployment in some regions. Many of the unemployed have had only a short formal employment history and have become increasingly difficult to employ with little relevant working experience, low education and a poor job seeking skills. In the Northeast there is a relatively high share of households who have no employed members at all. Job insecurity is a further difficulty faced by many in employment, an issue which appears to be especially problematic in the Southeast. Policy makers should continue their efforts to develop active labour market policies, including greater flexibility in working time, improved regulation and government administration to reduce the informal economy and undeclared employment, support for lifelong learning to help workers to improve their skills, and special programs targeting these long-term unemployed. IPA component IV is relevant here as it will support the implementation of the employment strategy, and aims to assist unemployed young people, women and the long-term unemployed into work, and to tackle the informal labour market.
The survey also confirmed high regional inequalities in health in terms of distance to health care facilities, and in the incidence of barriers of various sorts to health care services. The privatisation of the primary health care has clearly not resolved this issue. Despite attempts at health service reforms, an IMF report (IMF, 2004: 13-14) indicated that little progress has been made in cutting costs, increasing transparency and improving governance in the health sector, and cited a report of the State Audit Office which includes critical remarks on inefficiency and fraud in the health Insurance Fund. Inside the health care institutions low salaries, poor organisation and shortage of many basic supplies and essential tools reduce morale and motivation; in some cases this has led to “creeping” privatisation whereby people need to make formal or informal payments in order to receive treatment. Specific problems include very poor standards of hygiene in many facilities, including maternity wards, a serious shortage of cars for rural health workers, and a tendency for the more able professionals to move away from the rural areas for employment in urban areas where conditions and opportunities are better. The poor quality of care delivered by the public health system points to the need for fundamental reform, and for a rationalisation of services to increase the focus on family medicine and primary health care, preventative medicine, health promotion, and to a long-term commitment to continuing professional education and training to motivate health care workers. This should all be based on a clear vision of where the health system is going, and on clear leadership and management. NGOs and international bodies are well placed to address the issues of primary health care and disease prevention, areas which have traditionally attracted less interest within the state health service.

Regional Policy

People living in rural areas are less satisfied with their lives than those living in urban areas. The report has shown how the urban areas have been a magnet for the migration of the younger and more skilled people from the countryside, leaving behind a more vulnerable and poorer population in the villages. There is a clear need for appropriate policies of rural development and restructuring to address these issues and investment in infrastructure and rural job creation in order to make the villages once again attractive places for young people and entrepreneurs of any age to live. The heavy traffic congestion, and noise pollution in the urban areas is also confirmed as an important factor reducing the quality of life in urban areas, and the rural locations have an advantage in this regard. This comparative advantage should be built upon and attempts made to mobilise people and capacities in rural areas to promote local economic development and attract people back to the quieter small towns and villages. Programmes of lifelong learning in rural areas, of establishing industrial zones for small manufacturing and service industries in rural areas, and promoting networking of associations and community organisations to build rural social capital are needed to achieve these aims. The promotion of cooperatives and social enterprises is a further important element of rural revitalisation and local economic development. Opportunities to develop public-private partnerships to bring together the resources and competences of all interested parties at the local level, including small businesses, trade unions, local government, and NGOs and others, should be fully explored. All such programmes should be promoted to the EU IPA programme for additional funding and expert assistance. Support under IPA component V covers sustainable development and diversification of economic activities in rural areas with a focus on sustainable rural development. A key aim is to improve the quality of life in rural areas where unemployment is extremely high. This would also contribute to a more even demographic balance in the rural areas and help to improve the life satisfaction of the elderly rural population.
Regional policy should encourage the process of new job creation with a series of programmed activities, especially in the private sector, and also encourage the shift from an informal into a formal type of business organization. Active labour market measures should be promoted. The IPA programme should also be used to assist the public administration for its eventual participation in EU regional development policies.

**Ethnic Cohesion**

The survey has emphasised the specially disadvantaged position of the Roma community which suffers from a relatively poor quality of life, low incomes, high levels of poverty and inequality. The government should continue with its efforts to ensure the improvement of the living conditions of the Roma population, especially through its educational and employment policies. IPA component IV should be used to support improved access to quality education for ethnic communities and support for the integration of ethnic minorities.

The country’s two main ethnic communities, Macedonians and Albanians, remain divided due to political and historical disputes. The survey findings indicate there are some grounds for optimism due to the positive net expectations of future improvement in inter-ethnic relations in many regions and in the country as a whole. However, it will take time for this optimism to reduce the widespread fears of the potential for a further outbreak of ethnic conflict in the future. The Macedonian authorities should foster improved inter-ethnic relations by establishing cooperation between political leaders from different ethnic groups at the local and regional level. The devolution of power from the central government in Skopje to the local level that was mandated by the Ohrid Framework Agreement provides a real opportunity for improvements in policies towards inter-ethnic relations. Such policies should involve inter-municipal cooperation and collaboration designed to build trust between the diverse ethnic communities in the country.

Although many elements of the Ohrid Agreement have been passed into law, ethnic divisions remain an obstacle to social cohesion. The survey demonstrated the low proportion of people of various ethnic background that shop in stores owned by persons from other ethnic groups, and the low proportion of people who visit restaurants owned by other members of other ethnic groups. Local municipalities and regions, supported by the central government, should support the cross-ethnic marketing of stores, shops, and restaurants, and cross-ethnic employment within them, in order to attract customers from other ethnic groups to visit them more often, feel more comfortable being spoken to in their native language, and improve inter-ethnic relations through greater degree of face-to-face contact. Nevertheless, there are also many signs of interethnic cooperation at local level, with relatively high levels of inter-ethnic business relations in regions such as Polog, and the Skopje region, where the ethnic communities are diverse. Such cross-ethnic business links should be supported by the development of multi-ethnic business associations and small business networks.

The survey also showed that many people consider that national politicians worsen ethnic relations. Therefore, national politicians should be more responsible in their statements and political discourse, and should and show a higher quality of leadership for the country and especially for the younger generations by including them in campaigns to encourage ethnic integration in mixed schools. Taking into consideration the perceptions of the risk of violent ethnic conflict at a national level, the authorities of the country should re-assess their mechanisms for
conflict preventions. However, it should also be recognised that people’s real fears about the potential for conflict in the areas where they live are far more muted than their fears of conflict at a national level. This suggests that there is a need to scale down the political rhetoric at national level, and that policy makers should devote more attention to solving local problems, improving the institutions of local governance, involving people in shaping the future direction of local economic development, and stressing the advantages of cultural diversity and inter-ethnic collaboration in building vibrant and cohesive local communities.

**Local Governance**

Some local municipal authorities are in the processes of reorganizing their activities. The importance of the ongoing efforts of local authorities, both individually and collectively, to improve the effectiveness and efficiency of public services cannot be underestimated. While many of the structural changes may take several years to implement, the adoption of better management and business practices has the potential to realize significant cost savings. In this final section we make some recommendations for the improvement of local government services to meet the needs identified by the survey. Firstly, and most importantly, local authorities should learn from the people and their proposals how to improve the quality of their life in the municipalities.

Local authorities should gather information and knowledge from different sources using the best practice, experience and knowledge from the other local municipalities, local and regional government, and other states. This may involve providing information to representatives of public, private and nonprofit organizations with an interest in various aspects of local government activities. It may also involve organizing research and analysis about the real situation in the municipality and in the region. Finally it involves the preparation of plans and proposals regarding the improvement of the management of the activities local government on the territory of each municipality or region.

The survey revealed real gaps in the extent of citizen participation in the institutions of local governance. Local policy makers should therefore strive to develop new ways of contacting people through offices, internet, and media, receiving their comments, suggestions and proposals for improvement of local services and the local quality of life. Local authorities, as providers of the services for the benefit of the citizens should publicize their activities in a simple way that is more understandable to people. The simplification of the processes will give a better sense of the duties of local governments. In addition, local governments should be more transparent, allowing citizens to better understand who they may hold accountable for their decisions and actions. Local municipalities should organize forums for people to exchange contacts and ideas for cooperation among different groups. For example, business people may be interested and motivated to support youth policy in order to promote social cohesion and inclusion.

Providing people with a better level and quality of services requires improved organization and management at the local level, and means that local government should create structures for a more equitable distribution of services. Monitoring and evaluating systems for the activities of local governments should be developed in order to measure the satisfaction with services and the possibilities for improvement of people’s quality of life. For providing better quality of the life of the citizens, local governments should collaborate with one another, among municipalities and regions. Better coordination of public services across local governments has a large potential
to improve service quality, and cost savings as the result of economies of scale in administration, staffing, training and equipment. Different interests could be connected through strategic planning for long-run development activities at the local and regional level. Local governments should simplify their procedures in the local municipalities especially for start-up companies as a precondition for success in local development.

The administration in the local municipalities should be protected from partisan influences, though more transparent systems for the promotion of civil servants. That is why is recommended establishment of the objective or minimum professional qualifications and standards for all local administrative functions. Local governments should expand cooperation with NGOs and other associations and forms of activities for improved presentations of the citizen's needs. Local governments are able to establish companies for the planning and realization of common services. They should take advantage of this opportunity to provide a wider range of locally or regionally differentiated public services. These should include infrastructure development including waste water treatment which should be supported under IPA component III which has a focus on environmental investment.

Financial aspect for starting business should be strengthened by offering new services from the local authorities including financial programs to support small businesses located on the territory of the local municipalities. Offering locations, infrastructural facilities and attractive possibilities for start up businesses municipalities will support local economic development. A solution to low levels of satisfaction with local services can be through privatization, including privatisation or spin off to non-profit organisations or social enterprises. This could be done in fields such as public safety, children's services, and care of the elderly, to decrease costs and improve quality.

Finally, the new institutions of local governance at regional level should engage with the EU IPA-funded cross border programmes with neighbouring Western Balkan countries including Albania, Kosovo, and Serbia, as well as continuing to develop existing programmes with Bulgaria (Northeast, East, and Southeast) and Greece (Southeast, Vardar, and Pelagonia). These programmes cover issues such as environmental protection, infrastructure for border crossings, transport and the environment, the economic development of border regions, and people to people actions. They should be seen as an opportunity for the improvement of the institutions of regional development in order to enable them to become more familiar with EU programmes and with modern principles of regional development policy more generally.
ANNEXES
Annex 1: Methodological framework

The Sample Procedure

The sample procedure was based on the principle of making a national and regional representative sample defining the region according to its definition by the State Statistical Office (EU’s NUTS3). The number of respondents in each of the regions was approximately proportionately distributed to the total number of population 18+ in each region, using the official statistics from the national census of 2002.

The actually realized total sample consists of 2797 households, each represented by a respondent aged 18+. [All urban rural calculations must exclude Pelagonia]

The primary selection criterion was determined taking into account the specific nature of the geo-demographic structure of Former Yugoslav Republic of Macedonia. According to the latest municipal division of the country, the top three most inhabited municipalities in the region contain 70.5% of 18+ population (except Skopje region). The diverse urbanization characteristics of the municipalities allows for efficient recruitment of respondents living in different types of urbanization and thereby different types of dwellings. In addition to the primary selected municipalities, the random choice of one or two smaller municipalities in each region was included in the sample, as well as one municipality which was a part of the booster of the sample. In order to avoid the potential of overweighting for the additional municipalities selected in every region, their participation was proportional to the relative size of the municipality, though in some cases when the municipality was significantly small, overweighting was allowed in order to cover for the potential sampling error (the limit being at least 15 respondents per municipality).

As a result of the applied methodology 42 municipalities participated in the research, which represent 50% of the total number of the municipalities in the country.

The random route sample methodology which enables more persons to be selected around assigned sampling point was applied since there was a time constraint for collecting, controlling and processing of data.

The selection of the respondents in the urban areas was done in such a manner that the person conducting the poll was obliged to select every fifth house, starting from the municipality premises, considered as static point. In cases when the living premises are unoccupied, or when the citizen does not wish to participate in the poll due to any reason, the person conducting the poll selected the house next to those premises.

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1 The methodology report is based on the reports of the pooling agency “Marten Board” – Skopje and the evaluation of the data made by Prof. AbdulGhafrar Mughal
2 NUTS3 – The Former Yugoslav Republic of Macedonia is divided into eight regions: Skopje, Vardar, Polog, Pelagonia, Northeastern, Southeastern, Southwestern, Eastern. Enclosed is the list of the municipalities in the regions.
3 From the conducted 3000 interviews, 203 were excluded because they didn’t satisfy the validity criteria.
4 The booster refers to rural municipalities that satisfy certain demographic, social and economic criteria, such as low educational level, low level of literacy, high unemployment rate and low GDP per capita. The values of these criteria were taken from the 2002 Census.
In rural areas, the selection of the households was performed on both sides of the main country street. Within the household, the person who is of age and whose birthday comes first when calculated from the polling day was selected for interviewing.

Fieldwork

The interviews were carried out face-to-face in people’s home, using Paper-and-Pencil (PAPI). Eight groups of interviewers were formed – each being active in one particular region and a total of 66 interviewers were engaged in the project. Each group was assigned a coordinator and his/her obligation was to coordinate as well as supervise the fieldwork by monitoring the fulfillment of the basic criteria: such as the routing, selection of households etc.

The fieldwork started on 21st of July, 2008 and lasted until 16th of August, 2008. The responsiveness of the total number of persons to whom the questionnaires were given, was 27%, i.e. every fourth respondent has agreed to fill in the questionnaire.

The Questionnaire

The questionnaire covered 9 particular areas of interest: Demography and housing, Employment, Social inclusion, Ethnic relations, Education, Health services, Local governance, Income and expenditure and Remittances and migration. It consists of 436 questions structured to enable assessing the perceptions of the respondents, the status of the households and the status of the household members.

Data-Entry and Data-Processing

The Database comprises of two files—“households” and “individuals”, corresponding to parts of questionnaire. The “Households” database includes all information related to households and information on the main respondents (who answer perception questions), as well as some individual characteristics of the members of the household. The number of observations in the “household” database is 2797. The “Individuals” database includes just information related to household individuals, whose total number is 10029. The household ID variable was used as a unique identifier for linking both databases. The answer categories “don’t know” and “refuse to answer” were coded using different codes (98 and 99).
Construction of New Variables

Indicators

The methodology for calculating EU-SILC indicators is the one internationally accepted. This includes:
- the number of household’s members (household size);
- the number of children in the household (<= 14 years old);
- the number of working age members (>=15);
- the number of members participating in the labour force;
- the number of inactive members (in working age but not looking for a job);
- the number of unemployed members (in the category of labour force);
- the number of employed members (in the labour force);
- the number of members with income;
- the highest educational attainment of the households (ie. Educational attainment of the most educated members who is no longer in school);
- Total monthly income and expenditure, as well as equivalized income and expenditure, calculated according to the modified OECD scale for adjusting according to household size;
- Household vulnerability indicators, such as: Low-income households (living under 60% of the median equivalized income/expenditure – poverty threshold), Indebtness – household with total debts beyond 40% of the overall household’s expenditures, Poor utilities, Poor housing conditions, Insufficient access to health services, Risk of ethnic conflict, Isolation.
- Individual vulnerability indicators, such as: Unemployment, Low education and qualification, Insecure employment.
- The assessment on the level of vulnerability of each household or individual uses the following method:
- high level of vulnerability (meeting 3+ criteria),
- medium level of vulnerability (meeting 2 criteria)
- low level of vulnerability (meeting 1 criteria)
- not vulnerable (meeting 0 criteria)

Weights

The sample is not self-weighted and several weight variables were constructed. While about 40.5% of the population is rural according to the census 2002, less than 15% of the sample households are rural in origin. Since one would expect the rural urban differences to be significant, analysts must use weights which correct for the oversampling of urban households in each region. It should be kept in mind that the weights do not fully correct the bias due to oversampling of urban as there was no rural household sampled in Pelagonia. Analysts who are interested in analyzing country wide rural urban data should use `urhhpweight` and `urhhfweight` in the household level file, and, `urpweight` and `urfweight` in the individual level file. For analysis at the regional level, analysts should use `hhpweight` and `hhfweight` in the household level file, and, `pweight` and `fweight` in the individual level file.

5 The weights do not add up to the total population of the country as estimated in 2002 census because of the exclusion of the rural households in Pelagonia.
6 A `stratum` variable has been included in both data files for use with `svy` command in Stata for correct estimation of standard errors.
Data Issues

Since there were many missing values in the individual income variable, an imputation of the missing values was made, based on regression analysis of income on relevant variables.

In the individual file, data was thoroughly cleaned to separate the relevant from the non-relevant cases for imputation.

Individual income was imputed only for “relevant” cases (15 years and over where there was a logical basis for imputation):

- where the individual reported employment but no income was reported; and
- where the individual reported a source of income but no income was mentioned even if the individual was not currently employed.

The following socio-demographic variables were used to impute individual income:
- employ (whether employed or unemployed)
- age
- agesq (square of age to detect nonlinearity)
- gender
- mar_stat
- occ (occupational status broadly defined as farmer, self-employed, white-collar, or blue collar)
- maced (whether the ethnicity was Macedonian or non-Macedonian)
- debt_shr (share of debt in the household income)
- expend_t
- fin_help (remittances from abroad)
- years_edu
- hh_size
- skp (whether the household was located in Skopje or other areas)
- n_empl (number of persons employed in the household).

Even after imputing individual income, there were about 393 cases in which no household member had any income; in such cases household income was imputed using the following variables:

- i_exp_tea (total imputed household expenditure including agriculture and education expenses)
- ownbed (whether each child has a bedroom)
- maced
- married
- educ_a (education of the respondent)
- sick_a (health status of the respondent)
- forsupport (whether received remittances from abroad)
- dom_support (whether received financial aid from domestic sources)
- owner (ownership status of the dwelling)
- agrland (whether agricultural land is owned or rented)
- Agrsize (approximate size of agricultural land)
- Saver
• Borrower
• Skp
• Booster
• Children
• age_a
• gender_a
• employ_a
• work_age (number of working age members in the household)
• inactive (number of inactive members (in working age but don’t look for a job)
• n_empl (number of persons employed in the household).
• with_inco (number of household members with income)

max_edu (highest educational attainment in the household) Note: Suffix _a refers to the respondent.

Total household expenditure was imputed in 83 cases where there was no information on expenditure. All of the above variables were used in the imputation (except for i_exp_tea which was substituted by unimputed household income).

Data Limitations

Users of the Data are Cautioned Against Certain Limitations of the Data.

First, An updated sampling frame that lists all the households in the country along with any changes that happened since 2002 could not be obtained from the State Statistical Agency because of time constraint and the lengthy bureaucratic procedures involved. In the absence of a proper sampling frame, the random route method of sampling was used. While the random route method has been used in previous quality of life surveys, it has certain limitations. For one thing, areas far off from the central point in each urban location sampled may not have had equal chance of selection. Second, it impedes analysis of no response as there is no information on the non-respondents. 7

Second, at 27%, the response rate was unusually low. There are also significant differences in response rate by ethnicity: while 33.3% of the Macedonians expressed responsiveness to fill in the questionnaire, namely every third Macedonian, only 22.5% of the Albanians, slightly over every fifth citizen, agreed to participate in the poll. Self-selection bias in the sample cannot be ignored, particularly, if the characteristics of the respondents are systematically different from the non-respondents. Theoretically one can conjecture that respondents with high opportunity cost of time are more likely to have refused to participate in the survey. Thus, estimates of income ought to be interpreted with caution.

Third, the disproportionate representation of large municipalities and the non-random exclusion of smaller municipalities may have introduced some bias. For instance, the vulnerability index that relies upon access to health care facilities may be biased downward if residents of smaller municipalities of lower access compared with larger municipalities based on distance to the facilities that are remotely located in smaller municipalities.

7 The evaluators of the previous quality of life surveys specifically recommended that ‘If the survey is to be more widely accepted by the academic community, random probability sampling is preferred over random route procedures’. Daphne Ahrendt. THE QUALITY OF LIFE SURVEY (On behalf of the European Foundation for the Improvement of Living and Working Conditions), FIELDWORK TECHNICAL REPORT, Hilversum, August, 2003 (Page 26)
Fourth, over 7 percent of the households sampled were excluded from the database because the answers were considered to be logically invalid. Again, there is the possibility of bias of unknown direction if the rejected households are systematically different from the accepted ones. No further analysis of the rejected households was conducted.

Annex 2: the Quality of Life in Europe

The European Quality of Life Survey (EQLS) was carried out in 2003 covering 28 countries. It investigated the key dimensions of quality of life and its determinants. Within this framework the quality of life is measured through people's perceptions of their own subjective well-being, and evaluated alongside their economic situation measured by their income levels. The EQLS survey findings are grouped into a comparison between the fifteen members of the European Union before the eastern enlargement (EU15), the New Member States (NMS) and the three candidate countries (CC3) which at the time of the survey were Bulgaria, Romania and Turkey. A special survey of the quality of life in Croatia was also carried out at a later stage by the UNDP. The EQLS is structured around a set of key factors which influence the quality of life. These are

1. People's subjective well being
2. The economic situation of individuals and households
3. Employment, education and skills
4. Health and health care
5. Housing and the local environment
6. Family relations
7. Work-life balance
8. The quality of society

The EQLS measured people's satisfaction with their lives on a 10-point scale. The surveys demonstrated that while most Europeans are socially integrated, there are significant differences in satisfaction levels both within and between countries (Daly and Rose, 2007). Overall, about one-third of people are very satisfied with their quality of life, about one half are fairly dissatisfied and about one fifth are very dissatisfied. A similar picture emerges in respect of happiness also measured on a 10 point scale. The main determinants of life satisfaction and happiness are employment status and income. The negative impact of low incomes is greater in poorer countries, where having a low income entails great personal challenges. People with more education and better health tend to have higher levels of life satisfaction and happiness than others. Overall, good health is a major factor contributing to the quality of life, especially in the NMS and the CC3 where public health care systems offer less support to people with long standing illnesses than in the EU15. Satisfaction is strongly related to age in the NMS, where the youngest and oldest age groups are more satisfied than the middle-aged groups who suffered most from transition. Overall, the disparities in the quality of life among the three macro-regions is shown by the remarkable finding that despite unemployment, low incomes, or poor health, vulnerable people in the EU15 are more satisfied with their lives than the average person living in the NMS or the CC3.

8 The greatest levels of satisfaction are observed in the EU15, with lower levels found in the NMS and the CC3, while within the EU15 people living in southern countries tend to be less satisfied than those in the north.
Economic Situation

The survey analysis defines people’s economic situation by a number of factors related to their economic situation, including the level and distribution of incomes, household expenditure on essentials, household debts, household production of food products such as garden vegetables, and subjective economic strain in terms of difficulties in making ends meet. One of the key findings from the surveys is that women, the youngest and the oldest age groups are the most vulnerable in terms of their overall economic situation.

Employment

The EQLS revealed that while there was little difference between the EU15 and the NMS in the proportion of households in which no household member had a job, the incidence of joblessness among households was noticeably higher in the CC3 where among households with only one adult member, the incidence of joblessness reaches 55%. Perceived job security was investigated by asking people whether they felt secure in their jobs over the subsequent six months. Perceptions of job insecurity are relatively high in the NMS, where 18% of working people thought they might lose their jobs over the subsequent six months, and in the CC3 where 27% voiced the same concerns, compared to just 7% in the EU15. A similar pattern emerged in relation to job quality. About twice as many workers in the EU15 than in the NMS and CC3 countries feel well paid, and similar differences emerged regarding perceptions of working in dangerous or unhealthy conditions. Overall the survey demonstrated that people in the NMS and CC3 have lower quality of life in the fields of work and employment than people in the EU15, although the NMS is not very different to the EU15 in the incidence of joblessness and lifelong learning. In all other areas the disparities between the regions are large. Workers in the NMS and the CC3 experience greater job insecurity than their counterparts in the EU15, they consider themselves to be less well paid, and to work in more dangerous and unhealthy jobs.

Education and Skills

The survey also investigated educational quality. Despite similar levels of formal education in the NMS and EU15 countries, there are significant differences in the quality of education measured by ability to speak English, the language of the global marketplace. The proportion of respondents who could read English either well or very well was nearly three times higher in EU13 (excluding UK and Ireland) than in the NMS. The distribution of skills was approached through a question on internet usage. This showed that the percentage using the internet more than weekly was, at 34% in EU15, about double that in the NMS and the CC3. Concerning lifelong learning, which is an important aspect of the quality of the education system, similar proportions of respondents had had taken an educational or training course in the previous year in the EU15 (21%) and the NMS (19%) while only 12% had done so in the CC3. Education and skills gaps are revealed through lower levels of proficiency in English, and lower levels of internet usage in the NMS and the CC3 than in the EU15.
Health and Housing

Being in good health is an important determinant of the quality of life. Overall, more than one third of people perceive themselves to be in excellent or very good health, while people in the NMS are more likely to experience poor health than people in the EU15. Long-term illness or disability is a problem for more than half of people aged over 65 in the NMS and the CC3. Poor health is also linked to low levels of education and to unemployment: in the NMS over one third of those who had left school before the age of 16 experience poor health. Overall there is a consistent relationship between health status and people’s socio-economic situation. Access to health services does not appear to be a great problem in most countries, although there are more difficulties in the Mediterranean countries and in the CC3 than elsewhere. Large rural-urban differences in access to health services were reported in Romania and Bulgaria. Overall, people on lower incomes and older people experience most difficulty in accessing health services than others.

Housing conditions in terms of living space per person are measured by the number of rooms per person and the standard of accommodation. The survey found that living space increases with age, and that there are significant differences in the living space per person in urban and rural areas. Households in NMS and the CC3 reported more problems with their housing than people in the EU15. The survey also asked people about their local environmental conditions, focusing on four aspects including noise, air pollution, lack of access to green areas and water quality. People in southern Europe have more complaints about their local environment than those in the north. Another aspect of the local environment is safety and people generally feel less safe in urban than in rural areas. People in the NMS and CC3 feel less safe than in the EU15. People in Lithuania, Latvia and Bulgaria in particular experience their local environments as quite dangerous places to live.

Household Status and Work-Life Balance

Household status is an important aspect of the quality of life for most people, as it enables connectedness to social networks, and living alone may indicate social isolation. The EQLS showed that single person households are more prevalent in the EU15 than in the NMS and the CC3. As many as one quarter of adults in the EU15 live alone, compared to just 15% in NMS and 9% in CC3. Children live for longer with their parents in the NMS and the CC3 than in the EU15. The surveys also investigated gender differences in housework, and found that 43% of women consider themselves to do more than their fair share of housework, compared to just 13% of men who felt the same way. The gender imbalance in housework is larger in the southern and central Europe and the NMS and lower in the northern European countries. A further area of investigation was in domestic childcare, with mothers spending twice as many hours as fathers in this activity, a difference that is smaller in the NMS than in the EU15. The survey also investigated patterns of support and sociability, and found that most Europeans can rely on family support in case of need. However, in financial terms there are large differences between regions: more than twice as many people in the CC3 countries have no-one to whom they can turn if they need a modest amount of money compared to both the NMS and the EU15. Considering various types of support the survey found a strong reliance on family relationships, with a greater frequency of family interactions in the NMS than elsewhere.
The work-life balance is an important aspect of quality of life. The survey asked about difficulties working people face in carrying out family and work-related activities. Overall, relatively few people in the Nordic countries and continental Europe have difficulties fulfilling family responsibilities because of their work commitments, while people in the NMS have most difficulty, with one third being too tired to do household jobs, and one sixth having difficulty fulfilling family responsibility. Women often get around such difficulties by taking part time work, a strategy more usually adopted in the EU15 than in the NMS or the CC3. Women in full time employment report more difficulties with work-life balance than do men, a clear gender difference which has implications for equal opportunities policies. Employed single parents with children under 16 have the greatest difficulties in reconciling work and family commitments. Single parents also spend more time doing housework than others. The survey report argues that these negative factors in the quality of life for parents with young children should be tackled by policies to reduce working time for men, and create greater opportunities for flexible hours of work for women.

The Quality of Society

The perceived quality of society, revealed through views on the nature of tensions in society and the extent of social capital, is an addition factor in determining the quality of life. It is. People living in the NMS and the CC3 experience much social tension, especially between rich and poor and between management and workers, while in the EU15 social tensions are more focused on issues of racial and ethnic tensions. In Belgium, France and the Netherlands, more than three fifths of people perceive a lot of racial or ethnic tension. Social capital is measured by the extent of trust people have in each other. The EQLS survey found that there were higher levels of trust in the EU15 countries compared to the NMS and the CC3 with the highest levels of trust observed in the Nordic countries. Low levels of trust were found in Slovakia, Bulgaria and Turkey. Single parents and unemployed people had overall the lowest perceptions of quality of society. Overall, there is a legacy of distrust of institutions in the NMS and CC3, and participation in voluntary associations is relatively low.

Annex 3: Computation of Overall Quality of Life Index

The overall quality of life index is formed by combining several indicators which are analysed in Chapter 2. Since these do not provide a easily comprehensible picture of the quality of life by region, they are combined in an overall index. The procedure adopted was to take the raw values of the following indicators, and to rank them individually according to a unique alphabetical list of regions:

- Happiness score
- Index of GDP per capita
- Mean deprivation index
- Median household equivalent disposable income
- Net job security
- Poverty gap (Income based)
- Poverty headcount (Income based)
- Proportion of households who could not pay for essential food
- Satisfaction with life score
- Unemployment rate

The rank scores of these indicators were then summed to provide the overall quality of life score.
Annex 4. Eu-Silc Indicators for Social Inclusion

<table>
<thead>
<tr>
<th>Region</th>
<th>Income based (Poverty line=5778)</th>
<th>Expenditure based (Poverty line=6571)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Poverty Headcount</td>
<td>Poverty Gap</td>
</tr>
<tr>
<td>Pelagonia</td>
<td>18%</td>
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</tr>
<tr>
<td>Vardar</td>
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<td>7%</td>
</tr>
<tr>
<td>East</td>
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<td>7%</td>
</tr>
<tr>
<td>Polog</td>
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</tr>
<tr>
<td>Southwest</td>
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</tr>
<tr>
<td>Whole country</td>
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<tr>
<td>Skopje</td>
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<tr>
<td>Northeast</td>
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<td>16%</td>
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<table>
<thead>
<tr>
<th>Ethnicity</th>
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<td>Poverty Headcount</td>
<td>Poverty Gap</td>
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<tr>
<td>Macedonians</td>
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</tr>
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<td>Albanians</td>
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<tr>
<td>Roma</td>
<td>63%</td>
<td>32%</td>
</tr>
<tr>
<td>Other</td>
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<td>4%</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>Equivalised disposable income</td>
<td>Equivalised disposable expenditure</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td></td>
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<td>Alb.</td>
</tr>
<tr>
<td>S80/S20</td>
<td>8</td>
<td>9</td>
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<table>
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<tr>
<th></th>
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<th>Equivalised disposable expenditure</th>
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<td>Urban</td>
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### Older people who live under poverty line according to expenditure

<table>
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<tr>
<th>Poverty</th>
<th>0-64</th>
<th>65+</th>
<th>Total</th>
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<tbody>
<tr>
<td>Non-poor</td>
<td>82%</td>
<td>71%</td>
<td>81%</td>
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<tr>
<td>Poor</td>
<td>18%</td>
<td>29%</td>
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</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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### Equivalised disposable income by quintiles

<table>
<thead>
<tr>
<th>Quintiles</th>
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<th>Roma</th>
<th>Other</th>
<th>All</th>
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</thead>
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<td>5%</td>
<td>2%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>12%</td>
<td>12%</td>
<td>8%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>3</td>
<td>17%</td>
<td>17%</td>
<td>16%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>5</td>
<td>42%</td>
<td>43%</td>
<td>49%</td>
<td>39%</td>
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### Equivalised disposable expenditure by quintiles

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<td>2</td>
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<td>3</td>
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</tr>
<tr>
<td>4</td>
<td>22%</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>5</td>
<td>37%</td>
<td>38%</td>
<td>41%</td>
<td>34%</td>
<td>37%</td>
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### Equivalised disposable income by quintiles

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<thead>
<tr>
<th>Quintiles</th>
<th>Rural</th>
<th>Urban</th>
<th>Skopje</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>2</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>3</td>
<td>17%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>4</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>5</td>
<td>43%</td>
<td>41%</td>
<td>40%</td>
</tr>
</tbody>
</table>

### Equivalised disposable expenditure by quintiles

<table>
<thead>
<tr>
<th>Quintiles</th>
<th>Rural</th>
<th>Urban</th>
<th>Skopje</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>2</td>
<td>15%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>20%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>4</td>
<td>23%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>5</td>
<td>35%</td>
<td>38%</td>
<td>37%</td>
</tr>
</tbody>
</table>
### Gini Indicator

<table>
<thead>
<tr>
<th></th>
<th>By equivalised income</th>
<th>By equivalised expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole country</td>
<td>0,37</td>
<td>0,29</td>
</tr>
<tr>
<td>Macedonians</td>
<td>0,37</td>
<td>0,28</td>
</tr>
<tr>
<td>Albanians</td>
<td>0,38</td>
<td>0,30</td>
</tr>
<tr>
<td>Roma</td>
<td>0,46</td>
<td>0,36</td>
</tr>
<tr>
<td>Other</td>
<td>0,32</td>
<td>0,23</td>
</tr>
<tr>
<td>Rural</td>
<td>0,38</td>
<td>0,27</td>
</tr>
<tr>
<td>Urban</td>
<td>0,35</td>
<td>0,30</td>
</tr>
<tr>
<td>Skopje</td>
<td>0,34</td>
<td>0,29</td>
</tr>
</tbody>
</table>

### Lorenz Curve for Ethnicities

![Lorenz curve, by ethnicity](image)

- **Mk**: Macedonians
- **Alb**: Albanians
- **Roma**: Roma
- **Other**: Other
- **Line of perfect equality**

Cumulative Percent of Population vs. Cumulative Percent of Income.
Lorenz Curve for Location

Vulnerability

<table>
<thead>
<tr>
<th>Region</th>
<th>% No</th>
<th>% Low</th>
<th>% Medium</th>
<th>% High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skopje</td>
<td>39</td>
<td>30</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>Vardar</td>
<td>27</td>
<td>41</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>Northeast</td>
<td>29</td>
<td>34</td>
<td>14</td>
<td>23</td>
</tr>
<tr>
<td>Polog</td>
<td>18</td>
<td>49</td>
<td>24</td>
<td>9</td>
</tr>
<tr>
<td>Pelagonia</td>
<td>58</td>
<td>31</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>East</td>
<td>46</td>
<td>35</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Southwest</td>
<td>31</td>
<td>44</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Southeast</td>
<td>22</td>
<td>46</td>
<td>22</td>
<td>10</td>
</tr>
<tr>
<td>Whole country</td>
<td>34</td>
<td>38</td>
<td>16</td>
<td>12</td>
</tr>
</tbody>
</table>
### Multidimensional household vulnerability

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>% No</th>
<th>% Low</th>
<th>% Medium</th>
<th>% High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedonians</td>
<td>38</td>
<td>35</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Albanians</td>
<td>24</td>
<td>45</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>Roma</td>
<td>16</td>
<td>38</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Others</td>
<td>52</td>
<td>33</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Whole country</td>
<td>34</td>
<td>38</td>
<td>16</td>
<td>12</td>
</tr>
</tbody>
</table>

### Activity Rate

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-25</td>
<td>34%</td>
<td>39%</td>
<td>29%</td>
</tr>
<tr>
<td>26-35</td>
<td>80%</td>
<td>89%</td>
<td>71%</td>
</tr>
<tr>
<td>36-45</td>
<td>81%</td>
<td>94%</td>
<td>68%</td>
</tr>
<tr>
<td>46-64</td>
<td>61%</td>
<td>76%</td>
<td>46%</td>
</tr>
<tr>
<td>Total</td>
<td>47%</td>
<td>56%</td>
<td>38%</td>
</tr>
</tbody>
</table>
Unemployment Rate

<table>
<thead>
<tr>
<th>Region</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skopje</td>
<td>27%</td>
</tr>
<tr>
<td>Vardar</td>
<td>36%</td>
</tr>
<tr>
<td>Northeast</td>
<td>43%</td>
</tr>
<tr>
<td>Polog</td>
<td>27%</td>
</tr>
<tr>
<td>Pelagonia</td>
<td>35%</td>
</tr>
<tr>
<td>East</td>
<td>28%</td>
</tr>
<tr>
<td>Southwest</td>
<td>22%</td>
</tr>
<tr>
<td>Southeast</td>
<td>42%</td>
</tr>
<tr>
<td>Whole country</td>
<td>31%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-25</td>
<td>51%</td>
<td>49%</td>
<td>53%</td>
</tr>
<tr>
<td>26-35</td>
<td>38%</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>36-45</td>
<td>24%</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>46-64</td>
<td>20%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>31%</td>
<td>31%</td>
<td>30%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic Macedonians</td>
<td>31%</td>
</tr>
<tr>
<td>Ethnic Albanians</td>
<td>27%</td>
</tr>
<tr>
<td>Roma</td>
<td>73%</td>
</tr>
<tr>
<td>Other</td>
<td>27%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>41%</td>
</tr>
<tr>
<td>Urban</td>
<td>28%</td>
</tr>
<tr>
<td>Skopje</td>
<td>23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education level</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to primary</td>
<td>54%</td>
</tr>
<tr>
<td>Above primary up to secondary</td>
<td>33%</td>
</tr>
<tr>
<td>Above secondary up to PhD</td>
<td>18%</td>
</tr>
</tbody>
</table>
### Below and above poverty line

<table>
<thead>
<tr>
<th></th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-poor</td>
<td>28%</td>
</tr>
<tr>
<td>Poor</td>
<td>45%</td>
</tr>
</tbody>
</table>

### People who live in a jobless households

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-25</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>26-35</td>
<td>31%</td>
<td>27%</td>
<td>35%</td>
</tr>
<tr>
<td>36-45</td>
<td>27%</td>
<td>31%</td>
<td>24%</td>
</tr>
<tr>
<td>46-64</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
</tr>
</tbody>
</table>

### Education

#### Gross Enrolment Rate

<table>
<thead>
<tr>
<th></th>
<th>boys</th>
<th>girls</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary education (7-14 years old)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-poor</td>
<td>93%</td>
<td>92%</td>
<td>92%</td>
</tr>
<tr>
<td>poor</td>
<td>88%</td>
<td>88%</td>
<td>88%</td>
</tr>
<tr>
<td>total</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>boys</th>
<th>girls</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secondary education (15-18 years old)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-poor</td>
<td>87%</td>
<td>88%</td>
<td>87%</td>
</tr>
<tr>
<td>poor</td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>total</td>
<td>86%</td>
<td>87%</td>
<td>87%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>boys</th>
<th>girls</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Higher education (19-23 years old)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>non-poor</td>
<td>52%</td>
<td>59%</td>
<td>55%</td>
</tr>
<tr>
<td>poor</td>
<td>33%</td>
<td>43%</td>
<td>38%</td>
</tr>
<tr>
<td>total</td>
<td>48%</td>
<td>55%</td>
<td>51%</td>
</tr>
</tbody>
</table>
Ethno-Barometer (2002) Crisis in Macedonia, Rome
Fahey, Nolan and Whelan (2003) Monitoring quality of life in Europe, European Foundation for the
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