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**POVERTY IN REPUBLIC OF MACEDONIA**

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**Kire Sharlamanov**International Balkan University – Skopje, [sharlamanovk@gmail.com](mailto:sharlamanovk@gmail.com)**Aleksandar Jovanoski**St. Kliment Ohridski – Bitola, [aleksandarjovanoski3@gmail.com](mailto:aleksandarjovanoski3@gmail.com)

**Abstract:** Poverty, especially when it will take large dimensions is a serious social problem. Republic of Macedonia in long period of time has high rate of poverty. This article aims to examine the problem of poverty in the contemporary Macedonian society: reasons that coursed it, its evolution, social consequences and the ways in which the institutions are trying to overcome in by providing policies for reduction of poverty.

**Keywords:** Poverty, Republic of Macedonia, Strategy for reduction of poverty

**DEFINING POVERTY**

Poverty is a condition that is not alien to the overall historical development of humanity. If in the past, poverty was accepted as normal social occurrence, today, especially if its spread, society attempts to reduce it by alerting the public awareness and implementing appropriate policies. The existence of poverty indicates to social stratification and social inequalities in the society.

There are quite a few definitions of poverty, but it seems that the most accepted is the one that says that poverty is when individuals cannot meet their basic needs. The definition for poverty given by Eurostat and accepted by the State Statistical Office of the Republic of Macedonia, says that as poor are considered all persons, families and groups of persons whose resources (material, cultural and social) are of that level, that exclude them from the minimum accepted way of life in the country where they live.

Generally it is possible to distinguish between absolute and relative poverty rate. The absolute poverty rate is the lack of sufficient quantities of food, water and other needs for survival. No matter in which country one lives, when an individual has no resources that provide basic subsistence, he/she belongs to the group of those living in absolute poverty. The closest criteria of absolute poverty, would be the methodology used by several international organizations such as the World Bank, International Monetary Fund and the United Nations, and it is less than 1 dollar a day (Report On the progress towards The Millennium Development Goals 2009: 18).

Relative poverty can be defined as a lack of resources of certain individuals, families and groups to practice a diet, participate in certain social activities and live in conditions that are common to the societies in which they live. The poverty line is the boundary line that signifies the difference between those that are living in poverty and other citizens in the country. That line can be defined depending on income or living standards. In recent decades there is a tendency for the poverty line to be calculated depending on income. But here appears a serious problem, and it is the differences in incomes in some countries. For example monthly income of 1,000 euros in one of the developed and some developing countries has serious implications for different social status of people with such income. In developed countries person with such revenue would probably live in poverty, while in developing countries that person would be part of the middle strata. Therefore the calculation of poverty takes into account the average income in a given country or region. The rate of relative poverty is calculated as a percentage of persons whose monthly income is less than 60% of the median income in a given country or region.

**THE POVERTY RATE IN REPUBLIC MACEDONIA**

The first experimental estimates of poverty in the Republic of Macedonia date back from 1994 (Report On the progress towards The Millennium Development Goals 2009: 17). Before the introduction of EU-SILC (Survey on Income and Living Conditions) methodology, the poverty rate in Macedonia was calculated according to the relative poverty line, defined as the necessary level of sustenance. In the period 1994-96, the rate of relative poverty line was set at 60% of median household expenditures (Saveski, Sadiku and Vasilev 2013: 9). For the period 1997-2010 poverty standard was set at 70% of median equivalent consumption of households. The application of different benchmarks when calculating the rate of poverty in Macedonia from those in the EU was a political decision in order to show a lower rate of poverty (Gerovska-Mitev 2015: 82).

Following the recommendations of the EU, SILK (Survey on Income and Living Conditions) – in Republic of Macedonia was implemented by the State Statistical Office. The purpose of this survey was to produce results that will be comparable with other EU countries. As Nolev (2008: 181) stated, the plans of the State Statistical Office that were realized were first SILK as a pilot survey to be conducted in 2009. Since 2010 SILK, entered in

the regular statistical surveys of the State Statistical Office. SILK, predicts poverty to be measured according to income and the poverty line to be 60% of the median income.

The results of the survey in 2010 showed that poverty in Macedonia is quite high for 2010 it was 30.9% in 2012 it fall to 27%, which is significantly more than the average for the European Union, which in 2012 was 16.9%. Poverty in Macedonia is quite high compared with regional countries like Serbia 24.6%, Greece 23.1%, Romania 21.2, Bulgaria 21.2, and Croatia 20.5. The high rate of poverty in the Republic of Macedonia is due to the relatively high rates of poverty even before the independence of the country and to the high unemployment coupled with low growth rates since independence (Gerovska-Mitev 2015: 83).

Year	Poverty rate	Index of the depth of poverty
1994	9,0	/
1995	16,2	/
1996	18,3	/
1997	19,4	4,6
1998	20,7	5,1
1999	21,0	5,7
2000	22,3	6,0
2001	22,7	5,4
2002	30,2	9,3
2003	30,2	9,4
2004	29,6	9,4
2005	30,0	9,7
2006	29,8	9,9
2007	29,4	9,7
2008	28,7	9,2
2009	31,1	10,1
2010	30,9	10,9
2011	30,4	9,3
2012	26,2	/
2013	24,2	/
2014	22,1	/

Source: State Statistical Office of the Republic of Macedonia<sup>101</sup> (the poverty rate calculated in this table until 1996 is screened 60% of the median expenditure, from 1997 to 2011 is estimated at 70% of median equivalent expenditures, rather than 2012 since 60% of the median income)

As can be seen, the poverty rate in the Republic of Macedonia since 1997 until 2002 shows steady growth. Massive jump in the poverty rate is noted between 2001 when the poverty rate amounted to 22.7 and 2002 when the poverty rate amounted to 30.2%. Such a leap is happening for two reasons, the change of the methodological approach in calculating the rate of poverty and the consequences of the ethnic conflict in Macedonia in 2001. As for the methodological approach, in that period the method of data collection was changed, from quarterly collected data with the help of questionnaires, to annually collected data by 15 daily diaries. Also in that period the sample of households included in the survey was changed and number of households in survey was increased from 1,000 to 5 040. The depth of poverty from 1997 until 2006 has been steadily increasing, indicating that the poor are increasingly moving away from the living standards of the rest of society (Report On the progress towards The Millennium Development Goals 2009: 18).

Index of the depth of poverty measures the intensity of poverty and shows how far below the poverty line are the poorest people. In 2010, for example, the poverty rate decreased compared to the previous year, but the Index of the depth of poverty increased, suggesting that even though the number of people living below the poverty line was reduced, the gap between the poorest and the rest of society increased (Sustainable Development 2011: 74).

<sup>101</sup> The data in the table for the period 1994-96 are taken from the National Strategy for Poverty Reduction in the Republic of Macedonia (2002: 6).

For the substantial reduction of poverty in 2012, the largest in the history of Republic of Macedonia significant contribution was due to the change in methodology, where the poverty rate for 2012 was not calculated at 70% of medial equivalent expenditure, but 60% of medial equivalent income. But the trend of decline in poverty continued to the next two years 2% per annum. Poverty reduction continued for three-year in total of 8.3%. Poverty reduction due to the introduction of minimum gross wage, which was defined as 39.6% of the average gross salary in the Republic of Macedonia. Since the minimum wage is a percentage of the average wage, every growth in the average salary in the Republic of Macedonia entailed growth of the minimum wage. Expectations were that the introduction of minimum wage will have an impact on the increase of the salaries of 65,000 workers, which is a significant number for a relatively small country like Republic of Macedonia (Gerovska-Mitev 2012A: 19).

Important Indicator for the success of the social policy in a certain country is the poverty rate before and after payment of social transfers. In the Republic of Macedonia in 2013, before the payment of social transfers poverty rate was 41%, but after payment of social transfers it was 24.2% (Sustainable Development 2015: 71). For 2014, poverty rate before social transfers amounted to 41.7%, which is 0.7% more than the previous year, but after social transfers fell to 22.1% (Sustainable Development 2016: 73). This data, on one hand indicates the effectiveness of the policy of social protection, but on the other hand it points to the dependence of the citizens of the state.

### **THE CAUSES OF POVERTY IN THE REPUBLIC MACEDONIA**

Traditionally Republic of Macedonia, in the time of former Yugoslavia, has lagged in the economic development level and standard of living compared to other Republics of the former Yugoslavia, which was reflected in the higher poverty rate in the Republic of Macedonia.

As newer factors that contributed to the increase in the traditionally high poverty rate in the Republic of Macedonia were the economic transition (economic inefficiency and slow privatization) in which many companies were closed and many workers lost their jobs (National Strategy for Poverty Reduction in the Republic of Macedonia 2002: 29).

For the increase in the rate of poverty in Republic of Macedonia contributed objective circumstances which include: Military conflicts in the region in 1990s and one in Macedonia in 2001, the economic embargo that the United Nations set to some of its neighbors, but also the economic embargo that Greece set to Macedonia.

However, it seems that the most important factors for the growth of the poverty rate in the Republic of Macedonia were the inadequate economic and social policies, the first of which aims to produce rapid economic growth and increasing employment, the latter helping socially vulnerable groups. An Additional factor that can certainly be analyzed is the social stratification that arose after the transition of the economy. So in 2011, 20% of the population with the highest income earned 12 times more than 20% of those with the lowest income (Sustainable Development 2014: 76). In 2013, 20% of the population with the highest income earned 8.4 times more than 20% of the population with the lowest income (Sustainable Development 2015: 76). In 2014 however 20% of the population with the highest income, earned just under 7.2% times more than 20% of the population with the lowest income (Sustainable Development 2016: 78). As can be seen there is a trend from 2011 to 2014, of reducing of differences in the incomes between rich and poor, but differences remain large.

### **POVERTY, SOCIAL EXCLUSION AND MATERIAL DEPRIVATION**

Poverty is a violation of human rights because it excludes those who have no funds and revenues from public and social activities. Social exclusion and poverty creates a cycle that gets repeated, closing down the most vulnerable members of society. This exclusion affects the dignity, confidence and quality of life. It is a condition that prevents people to exercise their guaranteed rights in education, employment, access to quality health care and so on (Report on poverty and social exclusion t in RM 2011: 7).

Also, the low standard of life generally reflects the material deprivation of the population. For example, according to the State Statistical Office, in 2011, 72.2% of the population in Republic of Macedonia was not able to afford one week vacation outside of their own home, while 56.9% of the population has not been able to afford a meal with meat, fish or vegetarian equivalent every second day (Gerovska-Mitev 2015: 85).

As an indicator of material deprivation, the State Statistical Office considers severely materially deprived persons. As severely materially deprived persons are identified those who cannot afford at least four of these 8 needs:

- To pay rent or utility bills
- Adequately warm home
- To afford meat or fish every second day
- A week vacation

- Car
- washing machine
- Color TV
- Phone

The share of people who cannot afford to meet four of the following eight requirements from 55.9% in 2005 decreased to 40.6% in 2010 (Sustainable Development 2012: 71). The survey on Income and Living Conditions, conducted by the State Statistical Office for 2013 included an additional need - coping with an unexpected expense. The results this year show that 37.7% of the population were severely materially deprived (Sustainable Development 2015: 75). For 2014 the number of people who were severely materially deprived falls to 35.7% (Sustainable Development 2016: 77).

Data from the research of material deprivation, made on a sample of 1602 respondents in 2011 that involved the same nine basic needs which were measured by the State Statistical Office, in its research showed that 30.8% of the population was materially depressed, because it could not meet four or more of the nine basic needs, 22% of households could supply all nine basic needs, and 78% of households in the Republic of Macedonia could not provide some of the basic needs for a decent life. In addition, the majority of households 54.2% could not afford a one vacation week away from home, 49.9% could not pay incidental expenses, 39.3% could not afford a meal with meat or fish every other day of the week (Gerovska-Mitev 2012A: 29).

### THE STRUCTURE OF POVERTY IN THE REPUBLIC MACEDONIA

National Strategy for Poverty Reduction in the Republic of Macedonia (2002: 28) divides households that are living in poverty in the Republic of Macedonia into three groups:

- People that traditionally live in poverty, this group includes rural, agricultural households. Their characteristic is low education of members of households and low potency of economic activity usually in agriculture
- New impoverished, losers of transition. People that lost their jobs in the process of the privatization of companies and transformation of state capital into private. These are households who generally live in cities, but none or only one of the members of the household is employed
- Chronic poverty, it is the most endangered category of people living in poverty and include, elderly, disabled and agricultural households without a permanent source of income

In terms of age structure of the population, the highest risk group falling into poverty is younger than 18, unlike Croatia, for example where the biggest risk group is those older than 65 years. In terms of families, riskiest to fall into poverty are families with more children, unlike Croatia where riskiest to fall into poverty are women one-person families (Gerovska-Mitev 2015: 85). Report “Republic of Macedonia's Progress in achieving the Millennium objectives” (2009: 21) points out that in 2007 the highest poverty rate was among persons aged 40 years to 59 years. Among them poverty rate amounted to 30.1%, which is 57% of the overall structure of poverty in Republic of Macedonia that year. In 2013 again it is noted that the highest risk to fall in poverty was for children under 18 and that risk was 30.9%. The risk of poverty is lowest among people older than 65 years, living from pensions and other social transfers (Sustainable Development 2015: 71). Analysis of data from the Statistics Office shows that poverty is closely related to several parameters:

- Unemployment, many families where there are one or more unemployed members are living in poverty. The data of the State Statistical Office for 2010 show that 44.8% of all people that are living in poverty in Republic of Macedonia are unemployed.

Year	2010	2011	2012	2013	2014
Percentage of unemployed out of people that are living in poverty in Republic of Macedonia	44,8	46,0	/	43,7	40,4

Source: Sustainable Development 2010-16

- The number of family members. The risk of falling into poverty increase with increasing of number of family members. Data from the State Statistical Office for 2010 show that 47.3% of the people that are living in poverty in Republic of Macedonia live in families with 5 and more members.

Year	2010	2011	2012	2013	2014
Percentage of those who live in households with 5 or more members out of people that are living in poverty. From 2013 is calculated: Percentage of those that live in households with three or more dependents persons out of people that are	47,3	48,5	/	49,9	51,3

living in poverty					
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Source: Sustainable Development 2010-16

- The level of education is significant factor for falling in poverty. A large percentage of families where the head of household does not have primary education live in poverty. The data of the State Statistical Office for 2010 shows that 54.7% of the poor live in families where the head of the family has completed at most primary education.

Year	2010	2011	2012
Percentage of households where the head of household has no, or only primary education in the total number of people that are living in poverty in Republic of Macedonia	54,7	54,6	/

Source: Sustainable Development 2010-12

Looking at the sequence of data for the poverty rate in Macedonia, it is obvious that the number of family members has an influence on poverty. The poverty rate for family with 6 or more members is significantly higher than that of families with fewer members, and in some years exceeding 40%. Its peaked have in 2003 when it was 43.6%.

Table, Relative poverty by the number of households (1997 - 2007)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total	19,0	20,7	21,0	22,3	22,7	30,2	30,2	29,6	30,0	29,8	26,4
1 member	6,3	11,1	16,5	14,5	5,6	30,4	25,2	20,2	19,6	24,3	26,9
2 members	17,0	16,4	15,6	16,6	18,0	25,4	20,9	16,5	20,8	23,9	24,2
3 members	15,8	12,9	16,6	13,5	9,2	20,2	22,9	22,5	21,6	17,4	18,8
4 members	18,0	20,4	20,6	20,9	14,4	27,3	28,6	23,5	22,1	21,4	25,6
5 members	17,4	29,5	23,8	33,6	19,6	33,8	35,5	29,5	31,0	29,9	30,6
6 and more members	31,5	30,0	29,0	27,5	29,5	38,6	43,6	42,5	37,5	38,8	37,5

Source: State Statistical Office 1997 – 2007

A significant factor contributing to the increasing rate of poverty is unemployment. The poverty rate among the unemployed in 1996 accounted for 26% and it grew steadily growth until 2005 when it reached 41.5%. It decreased over the following two years.

Table, Relative poverty by economic status of household members (1997 - 2007)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
unemployed	26,0	29,0	31,2	32,6	35,5	37,5	36,2	39,0	41,5	40,9	39,1
1 employee	19,2	22,1	21,2	22,2	21,0	28,0	29,3	27,8	28,2	28,1	30,7
2 and more employees	9,8	7,3	7,3	6,8	9,9	18,7	18,9	18,1	16,8	18,5	17,2

Source: State Statistical Office 1997 – 2007

The level of education is also a major factor contributing to the rising rate of poverty. There is a serious difference between households headed by persons without primary education, of which 53.7% lived in poverty in 2007, and households headed by persons with university education of which 11.0 were living in poverty in the same year. We also noted a trend of increase of poverty from 1997 to 2007 for all categories of households, but the trend is highest among households headed by persons with no education. While in 1997, 34.4% of these families lived in poverty; in 2007, 53.7% of these households lived in poverty, an the increase of poverty in this category of families was almost 20%.

Table Relative poverty by education of the household head (1997 - 2007)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Without education	34,4	38,9	37,5	42,6	45,8	41,4	51,4	57,9	46,8	53,9	53,7

Uncompleted primary education	26,6	28,8	30,3	34,2	35,0	35,7	32,8	32,8	39,9	37,6	37,7
Primary education	28,0	21,8	30,6	30,4	25,7	37,7	37,6	38,4	38,2	39,8	37,4
High Education	11,2	16,9	13,6	14,0	12,1	24,3	24,4	22,9	23,4	22,8	23,6
College	8,2	1,9	6,2	9,4	13,5	14,2	19,0	17,4	17,6	17,4	17,4
University	1,4	5,3	0,0	3,7	3,6	10,1	12,1	9,1	7,3	8,9	11,0

Source: State Statistical Office 1997 – 2007

Also statistics show that the poverty rate is higher in rural areas where in 2007, 31% of population lived in poverty, as opposed to urban areas where the poverty rate was 28.7% and the City of Skopje, where the poverty rate was 28,4% (Report On the progress towards The Millennium Development Goals 2009: 21) .

### **POLICIES FOR POVERTY REDUCTION IN THE REPUBLIC MACEDONIA**

The first documents which show the policy against spreading of poverty of the Government of the Republic Macedonia appeared in 2001 in a Strategy for reduction of poverty (Report on the progress towards The Millennium Development Goals 2009: 17). Although previous strategy doesn't exist, the Government of the Republic of Macedonia led an active policy of poverty reduction. For example, 30% of the arrangement which the Government of the Republic of Macedonia signed with the International Monetary Fund in December 2000 referred to the Poverty Reduction and Growth Facility (National Strategy for Poverty Reduction in the Republic of Macedonia 2002).

Report on the progress towards the Millennium Development Goals (2009: 25) concluded that, with the trends that are present in the fight for poverty reduction it is impossible to achieve the intended goal, which is to reduce poverty by 2015 to 9.5% and calls for objectives in reduction of poverty to be revised and set more realistically. Furthermore, the report calls for the implementation of several policies that would alleviate poverty:

- Stimulation of rapid and sustainable economic growth together with active employment policies
- Taking measures for social inclusion of: households with a lot of members, households with one or more jobless members, households where the head of household has no education (or have not completed primary education), households with small children and households that live in rural areas
- Improve the targeting of social transfers to the target groups and implementation of a policy of social benefits, which will allow users better living standards

Some of the measures that can be taken to reduce poverty are: reforms of legislation, increasing of institutional capacity and greater participation of citizens in the reform of the social security system, especially through associations of citizens, such as "Macedonian platform against poverty" an alliance of over 40 civic associations and researchers (Report on poverty and social exclusion in RM 2011: 7). As a basis for the fight against poverty in Macedonia serves the Strategy for reduction of poverty and social exclusion, which was adopted in 2010, and revised in 2013, in order to get closer to the goals and targets of the EU strategy - the Europe 2020. Strategy envisioned reduction of poverty through the implementation of measures and activities in the following areas: employment and the strengthening of entrepreneurship; Adjusting education to the conditions of the labor market; Social and child protection; Improvement of health care and long-term care; Transport, communications and housing; Activation and strengthening of local authorities and support for vulnerable groups (National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020 -2020 - Revised 2013, 3).

One could say that the economic doctrine mode serves as a policy preventing poverty. The economic policy of the government relies on: foreign direct investment, in the hope that they will help to reduce unemployment and poverty; active employment measures by targeting a limited number of unemployed people; passive measures which amount to social transfers for the unemployed and those with low incomes. According to Gerovska-Mitev (2015: 87) passive measures do not cover all citizens living in poverty, and active measures are not sufficiently financially supported, only 0.11% of GDP, to be able to make significant changes in the fight against poverty. Also some of the measures do not correspond with the real problems on the ground. For

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example, indications show that the most vulnerable groups are families with more than 3 children, and social assistance does not increase in proportion to the number of children in the family.

Strategy for reduction of poverty set a goal for its reduction to 20.6% by 2020. In addition, expectations are that this will be the result of the increase of the percentage of people with university education and employment than direct measures to combat poverty (Gerovska-Mitev 2015: 89). In addition, Gerovska-Mitev (2015: 89) states that in the strategy for reduction of poverty it is problematic to find a link between objectives with specific policies. Weakness of the strategy for reduction of poverty is also that there is no revision of targets depending on the dynamics of fulfilling them and changing conditions in a certain time interval.

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