UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

MASTER'S THESIS:

THE REVERSE PROPORTIONALITY BETWEEN THE RURAL AND URBAN AREAS AND INTERNAL MIGRATION IN MACEDONIA

Ljubljana, March 2017 ANA TEMOVA

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INTRODUCTION

The economic growth was as much a synonym for each country's success as it is in the same quantity today. With the ongoing world globalization process, rural development have undertaken significant role in increase of the economic growth, as well as in improving the overall life quality for the residents in the particular country (Krüger, 1998). Unfortunately, the balanced development is often not achieved, and growing disparity causes internal migration (Rosenzweig, 1988) which in the long-run deteriorates the opportunities for development of rural areas (Williamson, 1988).

Internal migration is caused by inequalities in rural and urban development. People living in rural areas see urban areas as places with better opportunities for improving their welfare which includes jobs, income, education, health care, service infrastructure and social status (Linn, 1982). The prioritization of manufacturing activities over agricultural ones increases income inequality (Becker, 2005), so rural areas are perceived as less favourable places for living and earning because of the lack of authorities' attention on local and national level. Rural development can be a solution for narrowing the existing productivity gap between rural and urban areas. It can encourage economic growth even more by strengthening the role of the agricultural sector, often accompanied by tourism sector as well. It is worth mentioning that nowadays, rural development is stimulated also by the increasing demand for healthy food (Dolan, 2003).

During the past two decades, similarly as in many developing countries, the situation in Macedonia has been following the path of an increasing gap between rural and urban areas. For example, in Macedonia, in 1990 urban population represented 57.8% of the total population, in 2000 it represented 62.9%, while in 2010 it reached the highest peak of 67.1%. On contrary, in 1990 rural population represented 42.2% of the total population, in 2000 it represented 37.1%, while in 2010 it reached the lowest peak of 32.1% (State Statistical Office of the Republic of Macedonia, 2016). National development strategies have the major role for efficient solutions to decrease this gap.

This research has the purpose to analyze the causes of imbalanced growth between rural and urban areas in Macedonia and their relation to internal migration, as well as to identify the conditions for a balanced growth. Macedonia as a developing country aims to be a part of the catch-up development process together with developed countries. This development goal of the country encourages internal migration which on long run causes differences in development in rural and urban areas in the country. Significant changes especially occur in rural areas. As internal migration increases, rural areas decrease in their economic and social development progress. Reverse proportionality between internal migration and development of rural areas influence on both, the citizens and the country. The following research will detect whether the influence is more positive or negative. Key disparities that

reflect the differences between rural and urban areas will be subject of detection and analysis. Also, these disparities are expected to be tightly linked to internal migration as the research will be conducted. The bottom purpose of this research is to see whether the conditions in Macedonia for secure and stable development of rural areas exist along with the on-going development of urban areas, and to what extent they are accomplished if they exist. The results are expected to help the country to form set of measures that would support more balanced and sustainable long-term economic and social development.
The research intends to answer the following research questions:

- What are the main factors for internal migration? In which way does the theory support factors of internal migration?
- What were the main migration trends in the world during the past few decades, primarily regarding internal migration? What causes the unbalanced demographic paths in world terms?
- How does the theory explain the importance of urban and rural areas?
- How can the policies contribute for establishing a balance between rural and urban growth?
- What are the main indicators for regional development in Macedonia? How the comparative analysis between Macedonia and the EU contributes to regional development in Macedonia?
- What causes the differences in the regional development in Macedonia?
- What prevails among Macedonians when choosing to work in place different than place of living? What are the main economic and social factors for such decisions?
- What is the correlation between level of education and monthly income of the respondents? What are the opinions of Macedonian residents towards their daily living functioning in different areas in Macedonia?
- What are the preferences of Macedonians to live outside the country and why would they do so?
- What could state authorities do to ensure a more balanced regional development in Macedonia? What can stakeholders contribute to such development?

The research is consisted of four chapters. The first chapter includes the theoretical part for the basics of internal migration as a present phenomenon in developing countries and its connectivity with the process of urban concentration. Second chapter is also theoretical one describing the existing gap between rural and urban areas and its causes in world terms. Theoretical models that can prove the positive and negative consequences which stem from the gap are included in this chapter. Attention will be put also on national strategies and policies which would be the most appropriate for bridging the gap. The third chapter begins with the case of Macedonia that includes statistical verification for the level of regional development, and empirical analysis through the method of questionnaire with target population as employees. This chapter has the purpose to describe the existing advantages and disadvantages in Macedonia in terms of internal migration and regional

development, as well as the purpose to emphasize the importance of the respondents' opinions from the questionnaire towards detecting the level of internal migration in working conditions in Macedonia. The fourth chapter will focus on recommendations regarding the potentials that Macedonia holds with possessing natural and structural resources which can be used optimally for further balanced development of rural and urban areas among different regions in the country.

According to the subject of analysis in this research paper, data will be collected from primary and secondary sources. Secondary sources will be used so that the research problem can be better understood and the research hypothesis can be properly tested. These sources will include local and national publications and reports for past and current trends of urban and rural activities in Macedonia together with reports about trends of rural development. In this manner, quantitative methods will be used through deductive style and statistical figures. Description, analysis and synthesis as methods will be included too.

The primary information will be derived from the questionnaire as a primary source which will be included in the case research. The questionnaire targeted 280 employees whose responses should give a clearer picture of internal migration in terms of working conditions in Macedonia. The questionnaire will be useful in terms of gathering results regarding the used quantitative methodology. The data from the respondents should facilitate the statistical interpretation of the secondary data.

The research is an attempt to establish a more detailed analysis of the causes of the two world phenomena that are happening today in Macedonia such as internal migration and urban concentration. Measures which will be proposed at the end of the survey are expected to contribute for controlled internal migration and balanced development between urban and rural areas, i.e. different regions in Macedonia.

1 INTERNAL MIGRATION

Migration can be explained through the number of people shifting from one area to another within the country, or from one country to another. This number can seriously change the origin of the whole economic, social, environmental and sustainable environmental picture in the countries in certain period of time (Castles, 2007). In certain manner, it defines each country's boundaries in terms of human population.

Through the years, constant internal migration as a process causes urban concentration. Urban concentration is supported by the industrialization which should offer much more than just basic living standards for people in certain country. This implies the existence of advanced environmental, technological and social conditions in the current country, but primarily in urban areas (Rondinelli, 1990). Rural areas as development areas in the same

country are particularly neglected in times when urban concentration becomes uncontrollable, forced or increased (Bertinelli, 2007). As an outcome, it comes as a serious problem for unbalanced economic, social, and environmental structure between rural and urban areas both in their individual existence, and in their mutual development.

1.1 Urban Concentration

As the world has developed through the centuries, especially at the end of the 20th century and beginning of 21st, urban concentration takes its place as the most challenging economic issue ever. Simply, it can be defined as a movement of mass of people from rural to urban, or less urban to urban environment. As a process, it has become a necessity and one of the most important factors for fostering economic development in the world, especially in developing countries (Henderson, 1999). In global terms, in 1950 the number of people living in urban areas was estimated to approximately 30%, in 2014 it was estimated to 54%, and expecting to increase to nearly 66% with projections for 2050 (WUP, 2014).

Cycle of urban concentration is a multidimensional cycle because it affects every part of the people's quality life. It has social, human, cultural, environmental, ecological, wealth dimension which must be balanced especially in times of rapid urbanization in order to have healthy developing economy (Henderson, 2003). Urban concentration has its tiny line between being beneficial or costly as economic driver for the country. That's why the linkage and continuous cooperation between governmental and non-governmental institutions on local and national level is crucial for undertaking appropriate measures to place the right path of the country's development while experiencing urbanization process.

Urban concentration is interconnected and interdependent with several significant aspects like (Todaro, 1981):

- Economic growth,
- Internal migration,
- Population growth and
- Unemployment.

Appropriate managing with each one of these aspects is crucial for finding optimal environmental level in the countries.

Economic growth is developed in urban areas, in the cities. As an indicator, it is seen as degree accomplishment of gross domestic product in the country (Lowell, 2002).

Internal migration is said to be caused by urban concentration and vice versa, urban concentration is said to be caused and accelerated by increased internal migration. Because urban areas are centres of the world's development, they are also very attractive with their

opportunities for better quality life. Better possibilities for income earnings, infrastructure, health care, education, social status are most common reasons why people from rural and less urban migrate to urban ones (Henderson, 2005). Urban environments gradually lose their capacity to meet the needs of their current residents and future ones which will come from rural and less urban areas.

Demographic changes in **population growth** are closely linked to the fast growing number of population as a natural process, as well as a result of increased internal migration (Preston, 1979).

With constant transfer from rural to urban areas, chances for having more unemployed people in urban areas are bigger. The intensity of **unemployment** depends on the degree of each country's economic development (Castells, 2011).

1.2 Internal Migration in Developing Countries

Internal migration is recognized as rural to urban migration, and as a long-term life orientation it got the status of trend among people. It is induced as a result of certain economic and environmental factors (Sassen, 1988). When it occurs, by its nature, internal migration becomes serious reason for decomposition of countries' structure and stability (Rogers, 1982). As a process in developing countries, it attracts the attention of the researchers because it has the power to transform the economy from agricultural one to industrial and service oriented as the level of country's development continues. In that sense, people who migrate have nothing to lose but rather, they have bigger chances to win in their battle for achieving higher living standards (Stark, 1985).

Internal migration as a flow gives significant information about what is beneficial and what is costly and lost in areas where it occurs (Cassarino, 2004). It speaks a lot about the economic stability and sustainability of the certain country with those outflows areas.

Internal migration occurs under the influence of push and pulls factors (Portes, 2010).

Push factors are known as negative factors in the area or region in the country that cause people to leave their origin living place and move to another area or region in the country with better life conditions (Arizpe, 1981). Push factors are usually listed as high unemployment, low income payments and other unsatisfactory living standards within the area or region in the country. These factors are real and perceived by the resident people and opposite of their desire to have secure social and economic status. People migrate mostly for economic causes. The higher is the difference between urban and rural areas in business opportunities, the higher the number of people who will migrate from rural to urban areas.

Table 1. Summary of Authors and Theories for Push and Pull Factors of Migration

Theory	Author	Year	Push Factors	Pull Factors	Findings
The Neoclassical Theory of migration on macro level	Haris – Todaro	1976	Low living standards	Higher wages	People make decisions about moving into areas where they can enjoy better economic status
The Neoclassical Theory of migration on micro level	Haris – Todaro	1976	Low living standards Insufficient utilization of skills	Higher wages Benefits over costs of living	Besides economic status, people move to areas that enable greater productivity
The New Economics of Migration Theory	Stark and Taylor	1989	Unemployment Poverty	Increased family income	People move to areas where they can get better economic and social status of their family

Source: C. B. Brettell and J. F. Hollifield, *Migration Theory, talking across disciplines*, 2008, pp. 4-12.

Pull factors are everything opposite from the push factors. As positive factors, pull factors attract people to come to better living area or region in the country. They represent better quality life conditions which are desired and expected to be found by resident people in another area or region. These factors are driver motivation for people's movement (Brettel, 2008).

There are different theoretical approaches in research of push and pull factors of migration. Migration can't be explained in one general theory. Through the history, each author gave different but significant perspective to what was important for migration research in global terms (Olesen, 2002). In the past they differed from one another in their approach, but nowadays each successive theory or research purports to be a continuation of the previous one with new elements which can be relevant to the current time of research.

Several authors in the 20th century made contributions with their theories regarding push and pull factors of migration:

- **The Neoclassical Theory of migration on macro and micro level** authored by Harris and Todaro in 1976, and

- **The New Economics of Migration Theory** authored by Taylor, 1989.

The Neoclassical Theory of migration on macro level explains discrepancy in wages between two areas in the country, or between rural areas as traditional agricultural sector and urban area as industrial manufacturing sector. This model was applied on research for internal migration in China as a country where income gap was detected as crucial driver for migration from rural to urban areas. Rural areas offer low living standards to their residents and push them to seek for better financial security in urban areas. Positive difference in wages that they will get in urban areas pull people from traditional sector to make logical decision and to move to industrial sector. This theory justify internal migration to the point where stifling of the surplus labour force in rural areas will not mean mass creation lack of jobs in urban areas.

The Neoclassical Theory of migration on micro level focuses on the rational decision that people make to leave their living area considering other pull factors besides low wages of which were led in the theory on macro level. Again, China is taken as a country sample for the research. According to this theory, people are pushed to move by the factor of insufficient utilization of their skills. When people seek for better working place, they also consider whether benefits exceed costs of travelling or living in that other area like expenditures for travelling from their origin place (rural area) to the working place (urban area), or social costs that would occur from leaving their families. Depending on the individual cost benefit analysis, people decide whether to move or not. Positive outcomes that they would get in the pull areas like overall greater productivity makes steadfast people to decide to work in the industrial sector. However, some negative result can always happen in terms of fulfilling the expectations and personal forecasts. The certain degree of satisfaction and productivity that people would actually get when they start working cannot be accurately predicted in advance.

The New Economics of Migration Theory discovers dominance of family dimension when people decide to move to other area. Namely, people as individuals are no longer unique in their decisions on migration, but rather decisions are taken by family majority. Examples from the United States experience were taken as a base for the research. Usually, the one who needs to move is either unemployed or comes from a family where its members are unemployed. So, push factors in this case are unemployment or family poverty. At times when their families feel financially and socially insecure, people see the financial and social pull factor in urban areas. Industrial sector will always offer jobs at the lowest level of the working hierarchy, and unemployed or poor people will always seek for jobs that will bring them even initial financial and social security with the acquisition of such jobs. Migrant remittances will always reduce the risk of migration for the family of the one who migrates. Negative implication can occur only in times when urban labour markets would become unstable.

The findings of these theories are solid base for further research papers in order to help current developing countries in their attempts to establish balanced theoretical relationship between rural and urban areas which can actually be implemented in practice with expected positive results.

One of the main characteristics of developing countries is the **income inequality** (Lewis, 1954). Massive inflows of migration people mostly from rural areas cause excess in supply of job opportunities in urban areas, or simply it raises the unemployment in the country (Ranis & Fei, 1961). Motives for migration from rural to urban areas are induced with high income payments in urban areas, low urbanization level and decreased income payments in rural areas. The result is increased income inequality. This means that people are determined to leave their origin livings even with high possibilities of underemployment in urban areas.

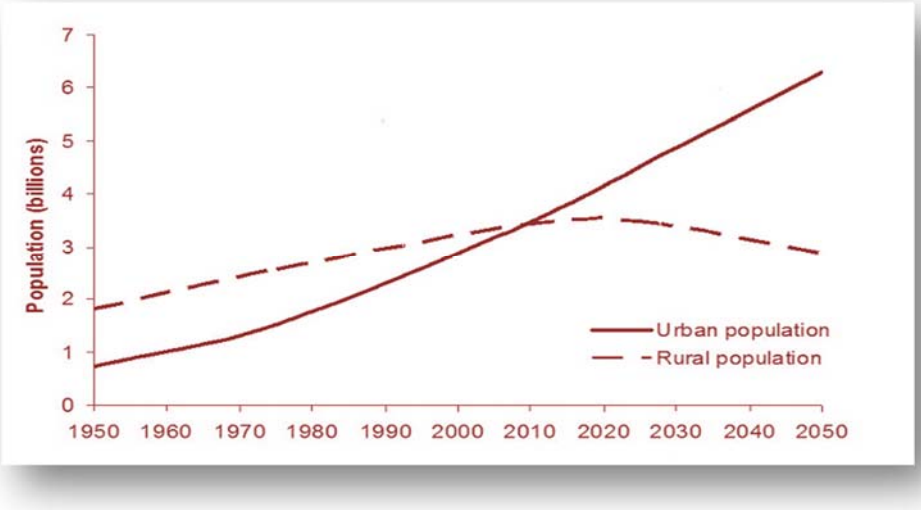
The number of employments will eventually rise in urban areas and many people from rural areas will find themselves attracted to move to urban ones in order to meet new job opportunities. Massive internal migration will cause increased demand for jobs with cheaper income payments since people with lower qualifications and skills will move from rural areas (Lee, 1966). This surplus of labour capital might instantly lower the current income payments in urban areas. With migration to urban areas, marginal social product of these people would have greater value there than in the rural areas where they live (Piore, 1979). Since unemployment is high in developing countries, people with higher qualifications and skills by default will be found in position to underestimate their real work worth by accepting current jobs in the country to reach the basic living standards. In this sense, inequality has got a tendency to become a characteristic of these fast urban growing developing countries. This is a desirable way for development growth in developing countries (Taylor, 2001). The overall situation is especially attractive for foreign investors from developed countries who seek opportunities to produce more of their goods under conditions of lower labour wages through mass production in the factories. But, it must not be forgotten that this way of increasing employment in one country must be viewed only as a temporary solution.

1.3 Urban and Rural Population Developments from 1950 to 2050

The most significant changes in population in a sense of urban concentration occurred in the period from 1950 till now. And still, urban concentration as a process shows constant line of growth according to the latest world reports. Figure 1 shows historical view as well as a future tendency of constant growth of the number of urban population and stagnation and decline of the number of rural population. In historical terms, rural living prevailed over urban living in 1950 with composition of 2/3 rural and 1/3 urban population. In 2015 more than ½ of the world population is urban with future projections for 1/3 rural and 2/3

urban population in 2050. Seen through a period of a century since 1950 till 2050, the world picture will get a reverse proportion of urban and rural population (UN, DESA, 2014)

Figure 1. Urban and Rural Trend Population in World Terms from 1950 to 2050



Source: United Nations, DESA, *World urbanization prospects, the 2014 revision,* 2014, p. 7.

Differences in rural and urban population number in world terms are explained as determination of two main transition processes: demographic transition and urban transition (Spence, 2009). Through the history, both of these transition processes were followed by a process of economic growth. In the mid 20th century, population growth resulted from decreased percentage of population mortality due to increased medical care and improved health. Demographic transition process was later followed by decreased population fertility. Urbanization process was qualified as a part of demographic transition with decline in mortality (Dyson, 2010).

Historically, urban transition process was a result of migration from rural to urban areas rather than migration outside the country's border. Migration from rural to urban areas was encouraged by the economic opportunities offered by cities, better education or improved social status of the family (Castles, 2010). Through the history, it can be said that urbanization was constantly followed by the economic, social and cultural changes that have occurred in the countries, as well as followed by trend of migration from less populated to more populated settlements (King, 2012).

Regarding the data reports from the United Nations in 2014, Africa and Asia were leading in terms of share of rural population in 1950 with above 80% of the total population number. Over the years, their proportion of rural population declined slowly reaching around 60% in Africa in 2015, and 52% in Asia. This decrease was due to the simultaneous

accelerated urbanization on these two continents. On contrary, in 1950, Europe, Northern America, Oceania, Latin America and the Caribbean have showed increasing share of urban population with more than 50% of the total population. In 2015, Europe recorded around 75% of urban population, Latin America and the Caribbean had even higher percentage with around 80% of urban population.

Summed up, the results worldwide showed that till the year 2000, more people lived in urban than in rural areas. According to the projections (UN, DESA, 2014), it is expected that by the year 2050, approximately 67% of population in the world will be living in urban areas. This will be mostly due to the rapid urban development in Africa and Asia that will follow. Europe will probably record a small increase in the urban population reaching around 80%.

In Europe, urbanization is treated as a phenomenon in both terms, increase in urban expansion and increase in population (Lanzieri, 2007). According to the future projections, population growth is expected to decrease after 2025. It is estimated that till 2025, the age group of 15-64 years will be reduced by 48 million people, while the age group of 65 years and above will be reduced by 58 million people. Labour force will be in recession that will automatically decrease the overall employment (Eurostat, 2016).

1.4 Potential Consequences of Unbalanced Population Growth and Urban Concentration

Population growth and urban concentration are maybe the biggest challenge for the countries to test their institutional capabilities to deal with. Population growth as a natural process together with internal migration contributes more and more for enlargement of urban population (Lanzieri, 2007).

As it is shown in Table 2, Table 3 and Table 4, in the late 20th century, all parts of the world recorded declining in the rates of population growth and urbanization. According to the results, demographic and urban transition period at that time were in their final phase. The biggest rise in urbanization rates still has got Africa and Asia with more than three percent annually, while other parts of the world are followed with rise less than half a percent annually. Also, Africa and Asia are the regions with the highest percentage of population growth. The most of this growth is registered in Asia as urban population growth of which only a small part is due to migration to urban areas (UN, DESA, 2015).

Table 2. Rates of Population Growth in the World from 1950 to 2050

	1950 - 1960	1960 - 1970	1970 - 1980	1980 - 1990	1990 - 2000	2000 - 2010	2010 - 2020	2020 - 2030	2030 - 2040	2040 - 2050
Population growth rates										
World	1.8	2.0	1.9	1.8	1.4	1.2	1.1	0.9	0.7	0.6
Sub-Saharan Africa	2.1	2.5	2.8	2.8	2.7	2.7	2.6	2.4	2.2	2.0
Northern Africa	2.7	2.7	2.5	2.6	1.9	1.7	1.6	1.3	1.0	0.8
Asia	2.0	2.3	2.2	2.0	1.5	1.1	1.0	0.6	0.4	0.2
Europe	1.0	0.8	0.6	0.4	0.1	0.2	0.0	-0.1	-0.2	-0.2
Latin America and the Caribbean	2.8	2.7	2.4	2.0	1.7	1.3	1.0	0.8	0.5	0.3
Northern America	1.8	1.3	1.0	1.0	1.1	0.9	0.8	0.7	0.6	0.5
Oceania	2.2	2.2	1.6	1.6	1.5	1.6	1.4	1.2	1.0	0.9

Source: United Nations, DESA, 2014; *World migration report* 2015, p. 6.

Table 3. Rates of Urbanization Growth in the World from 1950 to 2050

	1950 - 1960	1960 - 1970	1970 - 1980	1980 - 1990	1990 - 2000	2000 - 2010	2010 - 2020	2020 - 2030	2030 - 2040	2040 - 2050
Urbanisation rates										
World	1.3	0.8	0.7	0.9	0.8	1.0	0.9	0.7	0.5	0.5
Sub-Saharan Africa	3.3	2.1	2.1	1.9	1.3	1.4	1.3	1.2	1.0	0.9
Northern Africa	2.0	1.6	1.1	1.0	0.6	0.4	0.5	0.5	0.6	0.6
Asia	1.9	1.2	1.4	1.7	1.5	1.8	1.4	1.0	0.7	0.6
Europe	1.0	1.0	0.7	0.4	0.1	0.2	0.3	0.3	0.3	0.3
Latin America and the Caribbean	1.8	1.5	1.2	0.9	0.7	0.4	0.3	0.2	0.2	0.2
Northern America	0.9	0.5	0.0	0.2	0.5	0.2	0.2	0.2	0.2	0.2
Oceania	0.7	0.6	0.0	-0.1	0.0	0.0	0.0	0.1	0.1	0.2

Source: United Nations, DESA, 2014; *World migration report* 2015, p. 6.

According to Table 5, in 2005 population in the EU was accounted for 7.5% of the total population in the world, in 2020 it is expected to be 6.4%, while in 2050 it will be on the lowest level with 5.2% of the total population in the world (European Commission, 2007). Ageing in population will not be the only case in the EU, but also in United States, China, Japan and India. Ratio of old-age dependency (age group of 65 years and above relative to working age group of 15-64 years) will be on the highest level compared to the same ratio in US, India and China (UNWPP, 2003).

Table 4. Rates of Urban Population Growth in the World from 1950 to 2050

	1950 - 1960	1960 - 1970	1970 - 1980	1980 - 1990	1990 - 2000	2000 - 2010	2010 - 2020	2020 - 2030	2030 - 2040	2040 - 2050
Urban population growth rates										
World	3.2	2.8	2.6	2.7	2.3	2.3	2.0	1.5	1.2	1.0
Sub-Saharan Africa	5.5	4.6	4.9	4.8	4.0	4.1	4.0	3.6	3.2	2.9
Northern Africa	4.7	4.4	3.6	3.6	2.5	2.1	2.1	1.8	1.6	1.4
Asia	3.9	3.5	3.5	3.8	3.0	3.0	2.3	1.6	1.1	0.8
Europe	2.0	1.8	1.2	0.8	0.2	0.4	0.3	0.2	0.2	0.1
Latin America and the Caribbean	4.6	4.2	3.6	3.0	2.4	1.7	1.4	1.1	0.7	0.5
Northern America	2.7	1.8	1.0	1.2	1.6	1.2	1.0	0.9	0.8	0.6
Oceania	3.0	2.9	1.6	1.5	1.5	1.6	1.4	1.2	1.1	1.0

Source: United Nations, DESA, 2014; *World migration report* 2015, p. 6.

Table 5. Population Growth on Global Scale from 1950 to 2050

	Population (million)			Share of world population (%)			Old-age dependency ratio		
	2005	2020	2050	2005	2020	2050	2005	2020	2050
EU27	490	496	479	7.5	6.4	5.2	22	29	48
US	299	342	402	4.5	4.4	4.3	18	24	34
China	1312	1421	1408	20.1	18.5	15.3	11	17	39
India	1134	1379	1658	17.4	17.9	18	8	10	21
Japan	127	124	102	1.9	1.6	1.1	30	47	74
Africa	922	1270	1997	14.1	16.5	21.7	6	7	11

Source: Commission of the European Communities, *Regions 2020 - Demographic challenges for European regions*, 2008, p. 5.

Misbalance of population growth and urban concentration generate few consequences (Spence, 2009):

- Social inequality,
- Urban unemployment and
- Urban poverty.

One of the consequences is the **social inequality** (Bhan, 2014). The EU started 21st century with urban paradox as a result of the great movement of people to urban areas, cities. Although cities in the EU are desirable places for living because of their high rates of employment, wealth and infrastructure, at the same time they are characterized with great percentage of social inequality. More and more the separation between people in these

cities can be seen in terms of their economic and social status. There are people who enjoy their comfortable life on one side, and people who daily struggle with poverty on the other side. Because capital cities as urban areas suppress other cities and surrounding rural areas, they are major creators of the urban growth in EU. It is estimated that over 34 million people who live in the EU are at risk of social inequality (EU, 2016).

More of the ageing population in the EU lives in secondary smaller cities or less urbanized rural areas, while younger working population tends to live in areas which are pretty near to the capital cities or in the capital cities. It automatically leads to higher rate of population growth there too. This younger category of population sees possibility for employment in the capitals as mayor pull factor. This is the point when urban paradox appears. It happens when positive pull factor as employment translates into negative push factor of unemployment due to increased migration of younger population in the capitals. As there were more chances for employment before migration, with increased migration there is likely to be possible for **urban unemployment** to occur. That is another consequence from unbalanced population growth and urban concentration (McGranahan, 2014).

One more consequence is **urban poverty** (Cecilia, 2015). Due to increased migration to urban areas, cities are likely to face with poverty. Natural population growth that already exists in urban areas is a reason plus for poverty. Urban poverty occurs when cities start losing their full capacity in maintaining economic productivity, social stability, public health and infrastructure. Local budget costs begin to outweigh its benefits as a result of more money invested for reducing the poverty effects. It was estimated that from 2008 till 2012, almost 25% of the total population in the EU was at risk of poverty, or 6.5 million expressed in number of people (Eurostat, 2016). Factors that contribute to higher urban poverty are: unemployment, low-income jobs, low quality level of education, low quality level of housing, higher housing taxes, poor social benefits, lack of access to public services for all people and insufficient participation of people in the work of the community. These factors can be classified in the category of *unequal opportunities* for all people that further lead to social discrimination.

Forced urban population growth in urban areas might constrain their capacity in the future in terms of offering life quality possibilities that are having today. It will be much difficult for the authorities to manage all the services that today are accessible for people living there since the world nowadays is concerned having less costs in the countries' budgets. More people would have to be fed with less budgets money. This will cause serious urban decomposition (Cohen, 2004) with negative effects on environmental health issues.

According to (UN, DESA, 2015), developed, industrialized countries in the future will face with slow urban growth i.e. more will be maintained with existing figures because already

80% of population had reached their peak living in urban environments. Developing countries will face with fast urban growth since they are experiencing their transformation from agricultural to industrialized ones.

The fact that today and in the following years, urban population as a result of the natural population growth process together with urban population as a result of the urban concentration process have tendency to increase in developing countries on the global level, UN have set this sensitive issue as their top priority level to cope with it.

2 RURAL VS URBAN GROWTH

Many developing countries have the challenge to manage the balance between rural and urban growth while they follow the economic growth trace of developed ones. But, they usually use short term strategies or ad-hoc decisions putting the focus on either rural push or urban pull growth. Rural areas often have got the role of push factors because of the internal migration, and urban ones have got the role of pull factors considering better living and economic conditions in their existence (Evans, 1990).

Solid infrastructure, decreased unemployment, availability of the public services, usage of all disposed renewable resources, domestic productions and export orientation are basics for efficient and productive rural and urban growth (Kelly, 1998). Well managed connection and coordination among these elements can improve life functionality in rural and urban areas as separate growth entities in the country (Kruger, 1998).

Rural and urban growth and their balance in the economy becomes serious task for developing countries. Many of them fail in achieving the balance because of their long term orientation to industrialization. Rural growth can stimulate and support the urban growth, and vice versa, the urban growth is seen as a key generator for rural growth, especially when it comes to access to services and resources and equal usage of public goods in a country (Delagado, 2004).

The more devotion to industrial than agricultural sector does not lead to balanced rural and urban growth and decreased internal migration. Agricultural sector can be pretty beneficial with quality export production by domestic commercial firms which can increase domestic economic competitiveness on international markets (Gardiner, 2011). These firms represent the rural industry by their settlement in rural areas, so they can easily obtain naturally given resources which exist in these areas.

Governance on local level can do so much to ensure rural and urban growth in the country (Oberai, 1983). The crucial question is whether this governance enables making decisions on local level. Urban centres of small and large types were always and still are in the

primary focus of the regional country's politics, but growing potential of agricultural industry must not be considered anymore only as marginalized rural potential (Kim, 2008). Rural development must be treated like growing economic potential with needed infrastructural and financial support from the government.

2.1 The Dual Economy-Growth Model

Many developing countries are characterized with presence of dual economy. It means existence of two sectors within one country which have different economic development. In other words, sectors differ by their whole structure of present human, social, technical and environmental resources (White, 2005). Rural or agricultural sector posses land as a fixed resource, as well as low productivity, wages and savings, and high underemployment. This sector is observed as a supplier of the local demand in the country. The other sector is the industrial one which is perceived as a supplier of the demand on international markets (Byerlee, 2005).

In terms of internal migration, or rural to urban migration, the most applicative model of development is the one suggested from the British economist W. Arthur Lewis. He presented this model in the year 1954 in terms of the classical framework under assumption that labour supply in abundance can facilitate development of the economy in one country (Lewis, 1954). According to him, dual economy has got rural, traditional agricultural sector that exists as subsistence sector, and urban, industrial sector that exists as capitalist sector. He used this model as a base for the theory of supply of labour in times of internal migration. His explanation is that population that is in surplus in traditional low income rural areas simply migrate to progressive and perspective industrial urban areas which are perceived primarily as higher income areas. In times of these circumstances, urban areas that have more population from rural areas are more likely to hold the income wages constant till the surplus is used at its maximum. Then demand for labour is lower than its supply. But, this is negative implication from dual economy, especially with the fact that in these circumstances, inequality can occur between the poor and the rich ones.

As Lewis has quoted rural, traditional sector has got low or even zero productivity of the labour. Productivity difference between rural and urban areas results in lower marginal product per labour in rural areas as traditional sector, and higher marginal product per labour in urban areas as industrial sector. Because of the underemployment in rural sector, labour is in surplus and in favour as a labour supply in the urban sector. This way, industrial sector can keep the wages at constant level. At this point, it is assumed that output will not be in decline. Industrial sector must keep the wages at least for 30 percents above wages typical for traditional sector in order to attract the labour to migrate to urban areas mostly because the costs of living in urban areas are higher than rural areas living costs. Although it may seem that this is fair offer from industrial sector, still, wages in this

sector remain constant because that 30 per cent higher wage level is actually the subsistence level in urban areas.

According to Lewis, since urban areas have better life quality conditions than rural areas, private and public companies attract labour from rural areas offering wages that are high enough to live with in urban areas. With people's migration from rural to urban areas, there would be no influence on the agricultural output because even with their presence there, labour productivity is extremely low (Ranis, 2004). People who have migrated to urban areas have higher incomes now that would lead to higher savings.

Negative implications of this model of dual economy represented by Lewis, are unequal distribution and exploitation of the labour. Unequal distribution stems from increased profit of the capitalists and constant labour wages although economic growth is recorded. The more the gap is between the profits and wages, the more capital accumulation is generated. In this case, profits are used only for new capital creation, and are not given and redistributed to the labour because redistribution would impede the economic growth. Unequal distribution as domino effect leads to exploitation of the labour.

In years ahead, few authors have worked on the application of the Lewis's theory in practice. In the case of **England**, in 1983, researchers Williamson and Lindert realized that during the Industrial Revolution real wages had remained at constant level from 1780 till 1820. Industrial sector exceeded traditional sector two times more in terms of wage amounts. The permanence in wages in terms of increased productivity in the agricultural sector proved Lewis's work on his theory. Williamson and Lindert (1983) agreed on Lewis's view on agricultural sector as a sector that can generate higher productivity in the industrial sector with possessing labour reserves. Whenever there is expansion in the industrial sector, certain part of labour market in traditional sector can be engaged. The authors, Fei and Ranis (1997) found out that over time constant real wages reached their turning point and they started to increase. Meanwhile, for the whole time period until they had reached the turning point, nearly 45% of the labour in traditional sector was engaged in the manufacturing sector.

Studies in recent years have suggested that there is a positive connection between industrial and agricultural sector. In their mutual relationship agricultural sector has bigger importance. If agricultural sector shows stagnation in its growth, the industrial sector can't grow, and vice versa. If agricultural sector is in growth rise, it will influence the other economy sectors in the country as positive growth input (Barca, 2012).

Dual economies do exist in developing economies. The most evident example is China (Putterman, 1992). It is a country where the income growth and productivity level in the agricultural sector was lower than income growth and productivity level in the industrial

sector. Also the labour market in agricultural sector suffered from certain unemployment too. So, this was the perfect canvas for industrial sector to be able to absorb or attract most of the agricultural labour which was in surplus. By engaging excess of the agricultural labour, industrial sector managed to increase its productivity and profitability (Cai, 2007).

2.2 Theory of Growth Poles

Each country has growth poles centres of economic activities. Growth poles in every economy exist mostly like investment centres which further can source and improve the quality living standards of the residents in the country (John, 1999).

The pioneer of the idea for the Theory of growth poles was the French economist François Perroux in the year 1949. In his literature he considered the growth poles as industrial area or groups of companies concentrated in certain industry (Morgan, 1975). According to Perroux (1950), growth cannot happen simultaneously everywhere in the country. It can appear in parts as growth poles with different intensity that will further spread, causing variety of positive effects on the economy in the same country. So, basically, the economic growth cannot be uniformed everywhere in the country, but on contrary, it is usually settled around certain poles of growth.

Growth poles concept as a part of regional economic in its base has got several features that attract attention when it comes to creation of economic growth strategy. As a strategy that will guarantee future growth, it can entertain more people through engagements in certain working activities in parts of the region which are targeted as growth pole activity, so eventually employment will increase. This doesn't mean that growth will not appear in other parts of the targeted region. Another feature is that this strategy limits the number of possible poles of growth (Parr, 1999). In order to be implemented with high efficiency, the strategy for growth poles must be harmonized with the type of the activities that are planned to be developed or improved. Developing rural areas requires precise set of poles whose activities will be few, but crucial for faster development. Following the aforementioned, usually targeted poles are those that in their nature have given economic advantage like geographical positioning for example. It is important to emphasize that this strategy is an important part of the public policy which creates opportunities by setting growth poles of activities for further economic planning and growth in the country (Scott, 1989).

The most significant feature of the strategy of growth poles is the existence of proper infrastructure as a crucial element of the economic regional planning and development. Infrastructure in a broader sense represents the pillar for economic and social capital development (Cueto, 2010). According to the planned activities of poles, it can be constructed in terms of various internal facilities in the country in order to make some

economic activities possible and accessible like transportation, distribution, communication, easier access to markets and systems for energy and water supply. In the basis of this strategy is that with existence of the poles in certain region, automatically there will be production of positive effects in terms of encouraging development in other parts of the region even if development of the regional growth pole parts moves slower than it has originally been planned (Clinch, 2009).

In the recent years, validity of this theory of growth poles was confirmed with the country's example of Madagascar. With the project for integration of growth poles initiated by Madagascar, activation of the three geographic regions concentrated around the growth poles of Antananarivo-Antsirabe, Fort Dauphin and Nosy Be was planned. The major idea of the poles was to emphasize the existing constraints growth for investment such as in infrastructure, institutions, skills development and finance access. The poles had the role to focus on tourism growth in Nosy Be, tourism and mining growth in Fort Dauphin and export growth in Antananarivo-Antsirabe. In the region of **Nosy Be**, the pole has the role to focus on supporting necessary infrastructure like roads and supply of water, better structure of the administration capacity in the municipality. In the region of **Fort Dauphin**, the pole was oriented to the investment that was made by the "Rio Tinto" as mining company and the government in order to multiply the investment positive effects on the local people there. Serious investments were made on road infrastructure to facilitate the successful operation of tourism. Also, easier access on the market for local production was on the investment list. It was a good example of private-public investment collaboration. The pole in **Antananarivo-Antsirabe** had the role to support textile, information technology and tourism industry. The aim was to develop skills in such industrial areas through establishment of private universities and firms which will enable innovative knowledge (The World Bank, World Economic Forum, 2013).

Madagascar is an example for successful functioning of growth poles. Till 2009, these three growth poles showed excellent results regarding private investments and creation of new jobs. There were also serious improvements in local road infrastructure and the overall business environment in Madagascar. As of business conditions, it was much easier to establish a new business or to get a license in certain business area (The World Bank, World Economic Forum, 2013).

2.3 Rural Development and its Role for the Economy

Rural areas in developed countries went through tremendous transformation in economic and demographic way. With the on-going trends like globalization, urbanization, internal migration and competitive effects on the markets, rural areas got the possibilities for development of their production potential (Wiggins, 2001). Rural areas in developing countries should be supported to the point where they can act competitively in global

economy with already competitive urban areas. That is to take advantages of having easier approach to resources, better geographic position, diversified and specialized skills, and participation of people with activities in formal and informal institutions in the country. Adequate and well organized governance on local level is crucial for supporting these advantage benefits to become a reality (Koppel, 1987).

Rural areas can help the overall economy in the countries in several ways (Accetturo, 2012):

- Traditional food production,
- Quality water usage,
- Reinforcement of the importance of their geographical advantage,
- Development of growth centres of culture and customs,
- Rural tourism and
- Increase in employments and income in agriculture and other service industries.

Traditional food products as traditional agricultural goods are one of the elements of the cultural legacy of the countries. The interest for these products has never faded although customers may change their habits and needs over time due to their current life style (Gumbel, 2003). Traditional goods play a great role in boosting the economy on local and national level. At the same time they contribute for development of rural areas in economic, human, social and environmental manner. Traditional agricultural goods distinguish the country from the rest of the world by its originality creating different style in consumption through quality taste.

Quality usage of the water as a natural resource has great impact on sustainability of rural areas development. Integration of rural areas in developed societies primarily depends on their access to land and water. This is especially important for those countries which have enormous water potential as natural potential (Fuglie, 2010). What is naturally given to a country as natural resources represents the geographical advantage which can bring added value to the products in agricultural terms (Chanda, 2008).

The orientation of a country to produce and export agricultural goods may be justified due to its **origin geographical advantage**. This is especially important bench mark for the current country because its goods by the nature have competitive value presented like value added goods (Acemoglu, 2001). Having this as advantage shortens the time and additional resources needed in order to meet customers' requirements on domestic and international markets (Alesina, 2003).

Promotion of traditional products will make rural areas attractive as **growth centres of culture and customs**. Promotion includes methods of handmade extensive production or use of the knowledge of the native residents, their skills and capabilities. This can slow or

even stop the ongoing exodus process of the rural areas with economic potential (Gollin, 2001). At the same time, it will make them attractive as future centres for rural tourism. Simply, tourists will be drawn to the nature, customs, traditions and goods of these centres.

Tourism is a business issue that should not be underestimated as quality perspective for economic progress in rural areas especially when natural resources are present there in abundance. One of the successful examples is the French cheese named Comte (Barham, 2003). By using traditional production in the value chain for the cheese Comte, employments raised for 5 times more than employments in generic industrial production of Emmentaler cheese. Improved quality of jobs in Comte's case, as well as diminishing of rural exodus was more than evident. With integrated local environment and existent of private-public partnership, tourism was promoted in huge terms by creating Comte's gastronomic routes.

Table 6. Rural Tourism in Canadian Provinces

Province	Type of Rural Tourism	Promotion activities	Products and services
Ontario	Agro-tourism	•Information on tourism strategies of the country •Guided agro-torus •Programs for historical guide •Building themed routes for tourism •Cooperation between agricultural operators and tourism communities	•Museum visits •Restaurant visits •Visits to capacities for agricultural production •Exploring villages •Discover of farm markets producing fresh foods •Lake resorts with accommodation (bed and breakfast)

Source: Statistics Canada, *Total tourism sector survey,* 2006, p. 11, 12.

Rural tourism covers number of activities and attractions that are settled in the rural areas (Gannon, 1994). Besides agro-tourism as a mayor type, rural tourism includes more aspects such as: sport, eco, art and educational tourism so that tourists can get familiar with the tradition and customs as a part of the culture in certain country (Kieselbach, S., 1990). Agro-tourism is surely the essential type of tourism for development of rural areas. It includes tourist activities of education, events and enjoyment with agricultural, agri-business and horticultural national treasures.

Rural tourism encourages and prompts the economic and social development by increasing business activities, employments and income levels in the country (Rogerson, 2002). Rural communities have important role in accomplishing the strategy for rural tourism together with financial support from authorities on national level in the country (McMahon, 1996).

Successful rural tourism accomplishments of the Canadian province Ontario are summarized in Table 6.

The biggest challenge in the tourist industry is coping with the lack of social, economic and logistical support, investment quantity and infrastructure in terms of accessibility of rural areas. This can be a serious constraint in achieving rural development in terms of tourism. These challenges at the same time represent the differences between rural and urban areas which must be considered as serious obstacles for rural development.

2.4 A Model for Balanced Growth: The Policies by National Institutions to Support Balanced Growth

Social capital defines institutional actions which moderate, develop and sustain human and natural capital in collaboration with other stakeholders as participants to this process in the country. Vital social capital is one of the most important pillars of the society's functioning (Acemoglu, 2000). Having stable and sustainable environment as a country is a serious condition to be able to establish healthy economy, optimized urban concentration and quality lifestyles of people. Creating stable and sustainable environment mostly depends on policy makers in the countries (Glaeser, 2013).

With urban concentration and migration as trends, developing countries with no delay have to anticipate, predict and take such preventive measures before it occurs in urban sprawl, as well as to take corrective measures if it occurs. Migration trends create the needs of people which have to be met and satisfied that also determines the frames of sustainable economic growth (Henderson, 2000).

As far as for rural development, the UN Food and Agriculture Organization suggests that national institutions in the countries should start with holistic approach. It explains that rural economy is seriously connected with social, cultural and political pillars of the country and represents a vital part of each country's social and economic development (Moretti, 2011). Taking advantages of rural development is considered as a serious challenging goal, especially in times of unpredictable climate conditions and changes. It is desirable for authorities to undertake integrated action and to gather the capacities of the government society and civil resources, as well as business capabilities within the country by enabling appropriate infrastructure, necessary knowledge and effective policies. There shouldn't be favouritism of urban areas over rural ones.

National institutions in developing countries have to take into consideration important areas of action policies in creation of long term regional strategy for balanced growth (Bowles, 2002):

- Policy of decentralization,
- Cohesion policy,
- Policy of renewable energy and
- Policy of regenerative economy.

Policy of decentralization understands transferring parts of the competences of centralized function of institutions on local level (municipalities). Strengthening the local communities would reduce their dependence from the government financial support with subventions and other benefits, i.e. reducing the influence of the top – down strategy. Of course, regional development cannot be made up mostly with local governance and cannot be of concern only for residents living in those areas needing decentralization (Durlauf, 2002).

It is extremely important to identify those areas that possess basic capabilities for successful development, and to involve them in further development process in the country. For start, the identification of these areas should be in responsibility of local policy makers, while managing with infrastructure, organization and coordination should be responsibility of the higher levels of governance. Bottom – up strategy of action can make the process of decentralization possible (Hofferth, 1999).

This strategy includes:

- Local communities reflect social capital,
- Human capital is in the focus of the new regional development,
- Decentralization has got the status of precondition for successful development,
- Coordination and collaboration between public and private sector,
- Some of the decisions for financing should be made on local level,
- Local communities can represent the needs and requirements of their residents to the central government and
- Labour market can be better understood on local level.

Cohesion policy is the main regional policy of the European Union in its efforts to diminish the gap that exists between EU regions in social, economic and territorial terms. This policy has got the aim to improve the quality life and well-being of the EU regions (Bachtler, 2007). It is estimated that European Union spends approximately 1/3 of its budget for: reducing disparities between the regions, restructuring the industrial areas with economic decline and boosting the rural areas with agricultural decline. The end result is to develop competitive regions, to create new jobs positions and to accelerate the economic growth.

The Czech Republic is a recent example for the implementation of this policy. With support of the EU funds, the Cohesion Policy made structural reforms and left positive impact on the macroeconomic development of the country (EU, 2014). Financial support of the funds contributed to reduction of the social and economic differences between the regions by strengthening their competitiveness. Improvements were made in several spheres (European Regional Development Fund, 2014):

- Positive impact on GDP and reducing unemployment,
- Significant creation of new jobs,
- Product innovations and entrepreneurship improvements,
- Research and development,
- Better quality of infrastructure and
- Building waste water treatment plants.

During the first frame period of two years (2004-2006), The Czech Republic was planned with 62 billion CZK, while the second time period from 2007 to 2013 the country was marked with financial assistance of 585 billion CZK. This type of support made significant positive impact on the **GDP increasing** and **unemployment declining** in the country.

Creation of new jobs was one of the crucial benefits from Cohesion Policy and EU funds. The period 2004-2006 was marked with around 46.000 newly created jobs. In the following period 2007-2013 this number rose to 82.400. More than 75.000 jobs were created as a result of the Funds' support, and the rest 7.000 as a result of the positive effects brought by the Cohesion Policy. Overall funding indirectly encouraged the participation of the government and the private sector with their own investments regarding the employment increase. Employment in community services with 50% achievement during the period of 2008-2012 was enabled exclusively by the Cohesion Policy.

The success of the Czech Republic economy is largely based on **product innovation** and **entrepreneurship improvements**. From 2004 till 2013, the Structural Funds were active in financing projects with main purpose to improve business climate and to simplify processes in administration. 1/3 of the projects on product innovation were covered with financial support by the Structural Funds. Great progress was also achieved in the field of entrepreneurship with reinvigoration of start up businesses and projects with co-financing.

Part of the EU Structural Funds was used for improvements in the sector of **research and development**, such as: private and public sector cooperation, development of research centres improvement of operating conditions in the business sector and better educational and research structure in universities across the country. For that purpose, 1/3 of the clusters in the Czech Republic were funded from these Funds. Serious investments were made in the human capital department. In that direction, new jobs and new employment

were established in the sector of research and development, or expressed in numbers, about 38% in the period of 2007-2013.

One of the preconditions for economic development of the Czech Republic is to have **quality infrastructure**. Competitiveness on the markets can be achieved with reducing trade barriers, shortening the time of transport delivery and flexibility in labour supply. Supported by the Cohesion Policy, the Structural Funds allocated a larger amount of financial resources (over 30%) for transport infrastructure on national level in the period of 2009-2011.

Another important segment for consideration was improving the environment in terms of building **waste water treatment plants**. During the period of 2007-2013, the Structural Funds enabled access to these plants for 111.000 citizens in the country. 1/3 of the sewage treatment plants were raised by these EU Funds.

Policy of renewable energy is listed as popular policy in developing countries whose implementation is recognized as a potential source of employment in order to improve living standards in the country, as well as to encourage and maintain the rural growth in areas where is needed mostly (Montau, 2007).

Renewable energy cannot be exploited in all of its existence without conduction of necessary education developments (IEA, 2003). Efficient and effective use of renewable energy implies the existence of **qualified and trained human resources** (OECD/IEA, 2003). Developing countries suffer from lack of such human capital. The main reasons are costly educational trainings and lack of necessary materials and equipment in the educational centres. The biggest problem is the low capacity for local production of renewable energy. In order to achieve better conditions for local production, each developing country has to take into consideration the need for renewable energy educational trainings and equipment for *four categories of human resources*: development researchers, decision makers, technicians on local level and end users.

Supporting this policy means that authorities in the countries must separate large amount of their budgets, i.e. public money in its realization in practice. According to the United Nations Environmental Programme (UNEP), the amount of the public and private investment in sources of renewable energy in global terms in 2011 was estimated at 211 billion USD. The biggest percentage of these investments occurs in rural areas in OECD countries. The electricity sector for renewable energy took approximately 20% of the power in world till 2010. Hydro-electric sector provides about 84% of the renewable electricity in world terms. Renewable energy sources showed rapid growth in the time frame from 2005 to 2010.

The OECD conducted two – year research of case studies in 10 OECD countries among 16 rural regions in North America and Europe with the purpose to explore the influence of the renewable energy on rural areas in the part of economic growth, new employments, investment in human capital, quality of infrastructure and engaging local communities on higher regional level for rapid rural growth. According to the received results from the research for the **usage of renewable energy in rural areas**, several beneficial points were concluded (OECD/IEA, 2003):

- Enables opportunities for new employments and new business activities in these regions, as well in the whole country,
- Generates new incomes,
- Raises the level of country's responsibility for the significance of such investments,
- Empowers the network of local communities and
- Rural areas can produce own energy like electricity and heat so that cheap energy can be affordable rather than to import energy from other countries.

These three, above presented policies should be taken as a useful guide for developing countries aiming to establish a balance between the rural and urban development.

3 CASE STUDY OF MACEDONIA FOR REGIONAL DEVELOPMENT

Republic of Macedonia in geographical terms is settled on the Balkan Peninsula covering the south – western part. The total surface area covers 25.713 km^2 from which 857 km^2 are represented by the water surface. According to the State Statistical Office of the Republic of Macedonia (SSORM, 2015), around 50 % of the territory in the country is represented as agricultural land (1,261.000 ha) from which 1/3 is estimated as arable one. Around 1/3 of the arable agricultural land (173.000 ha) is under the irrigation systems, while (80.000 ha) is under drainage systems.

According to SSORM (2014), Republic of Macedonia has got 2,067.471 inhabitants, and the population density is 80.4 people per km^2. As far as the aging of the population, in 2014, the share of the young population in total population number (0-14 years) is represented by 16.8%, while the share of the elderly population in total population number (65 and over) is represented by 12.5%.

Great part of the variation in increase and decrease in the number of the total population in Macedonia can be seen in certain regions within the country. Variations occur mostly due to the internal migration process that exists in the country (Eurostat, 2016). These processes automatically affect the disproportion of the natural population in the country.

Regarding to the economy, since 2000, Macedonia has made improvement of its economic status by implementing reforms in the field of public investments, manufacturing, wholesale and retail. The most significant economic growth was observed in the period from 2002 to 2008 reaching 4.3% of GDP growth in average terms (World Bank, 2014). After 2008, the GDP growth in Macedonia shows cyclical character.

Today, Macedonia faces the challenge to increase the employment and to decrease the unemployment, as well as to improve the living standards of its citizens across different regions (United Nations, 2015).

3.1 Demographic and Economic Development of Macedonia

As in any developing country, the demographic and economic development is equally important for Macedonia. Not only the two types of development are mutually related in Macedonia, but what is a little worrisome is that they over the past years have manifested imbalance in their own development in the country. Unequal dispersion of population and economic activities around certain regions in the country causes social and economic inequality in the country. Differences among the regions can be seen through several demographic and economic indicators like:

- Population growth,
- Population age category (15-64),
- GDP per capita growth,
- Employment rate by age categories (20-64) and
- Unemployment rate.

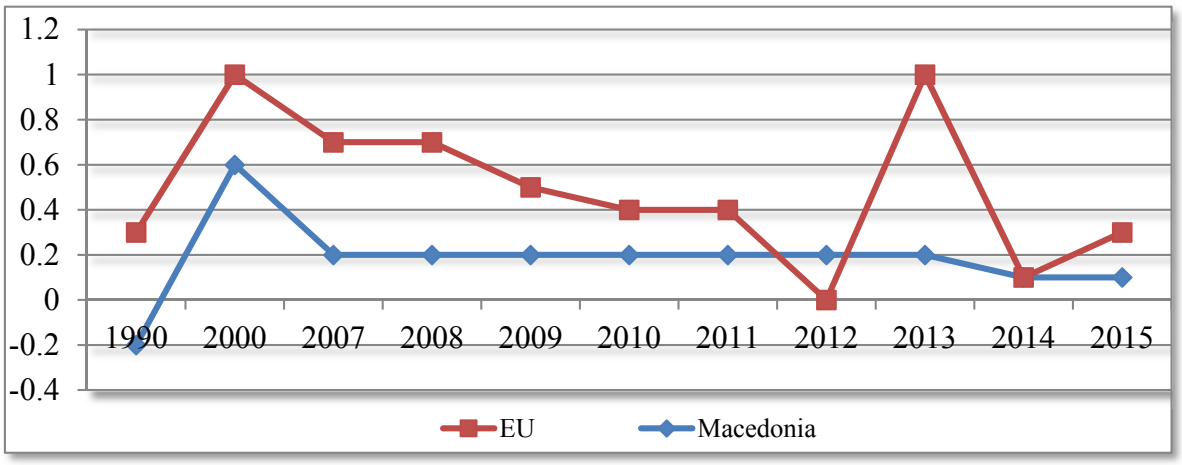
Demographic indicators are significantly necessary to be taken into account for analysis of developing countries since more of these countries show inconsistent economic development. Regional differences occur also in developed countries while they continuously strive to maintain stable Regional Policy that would ensure balanced development among the regions in each country.

European Union invests financial and strategic resources to merge development on regional level rather than only on local level within its borders. Application of the Regional and Cohesion Policy as strategic tools goes in favour of the regional development in the EU. The EU will be taken as an indicator and example path for Macedonia considering the fact that EU continuously works on minimizing the regional differences within its borders.

3.1.1 Comparative analysis of demographic and economic development in Macedonia and the EU

Regional balance and development are as much important for Macedonia as they are for the EU. Following demographic and economic indicators in the research should give a clearer picture of the economic and social status of Macedonia in recent years and now, as well as guidelines for potential future trend. The EU has already had an experience in facing regional differences within its borders, and experience in dealing with them. Economic changes, social changes, and geographic location caused most of the regional differences in the EU (Eurostat, 2016). Imbalances between the urban and rural areas in Macedonia are still unknown in terms of accurately detection of the balanced measures that should to be taken.

Figure 2. Population Growth in Macedonia and the EU (annual %)

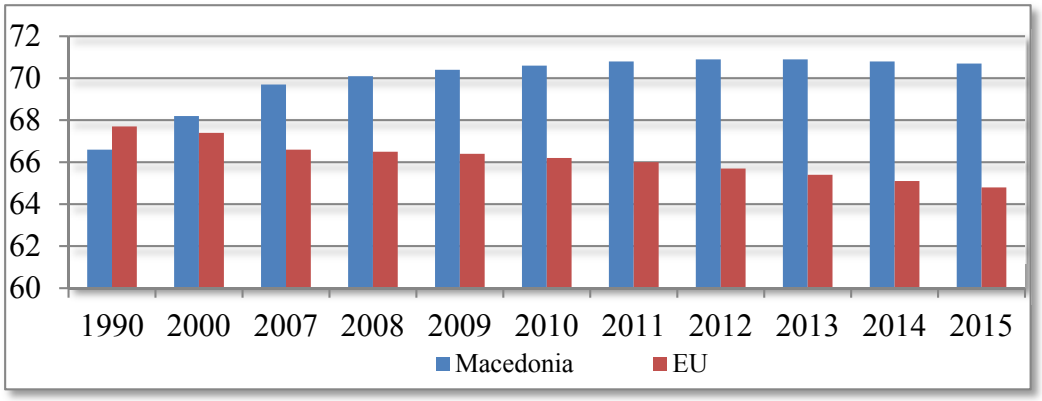


Source: The World Bank, *World development indicators* (official website).

Figure 2 shows tremendous increase in population growth in Macedonia from 1990 to 2000. Most of the growth from 1990 till 2000 was due to the natural population growth in the country (SSORM, 2015). But, reaching the highest peak certainly didn't mean that the country would follow this upward line. On contrary, after 2000, the country faced a slight decline in population growth till 2007. Migration outside the country played its role as one of the biggest factors for such decline. Also, the decrease in the birth rate had contributed as a factor. Decrease or increase in population growth is often a reflection of the economic situation in the country. Increase in economic growth produces increase in population growth, and vice versa. Another decline in population growth was evident in 2013. Unemployment, low income levels, decline in birth rates, ageing population, migration from rural and less urban areas to the major city, migration outside the country's borders can be listed as factors that contributed for the decline (SSORM, 2015). Large regional differences and internal migration are taking primacy as such factors in the past 2-3 years.

Population growth in the EU on annual level has got cyclical character with great variation especially in the time period from 2011 to 2015. These dramatic population changes can seriously impact on developments among the regions mostly because of the migration of working age population category. Low incomes, low employment and high unemployment in rural and less urban areas are mainly the reasons why people move from these areas to urban, city areas (World Bank, 2016). Working age population has got a great part in creation of demographic composition or decomposition in the EU. Labour productivity and educational level of the working age population determines to what extent demographic oscillation will occur in certain region within the Union. 2013 was marked as a year with the highest percentage of population growth in the EU which is also a result of the influx of people who migrate to the EU. These people originate from countries outside the EU borders. Increase of the number of ageing population is another factor with contribution for population decline in the EU. According to the future projections on population trends (World Bank, 2016), in the following years population growth in the EU will have flat direction with expected decline after 2025.

Figure 3. Population Age Category (15-64) in Macedonia and the EU (% of total)



Source: The World Bank, *World development indicators* (official website).

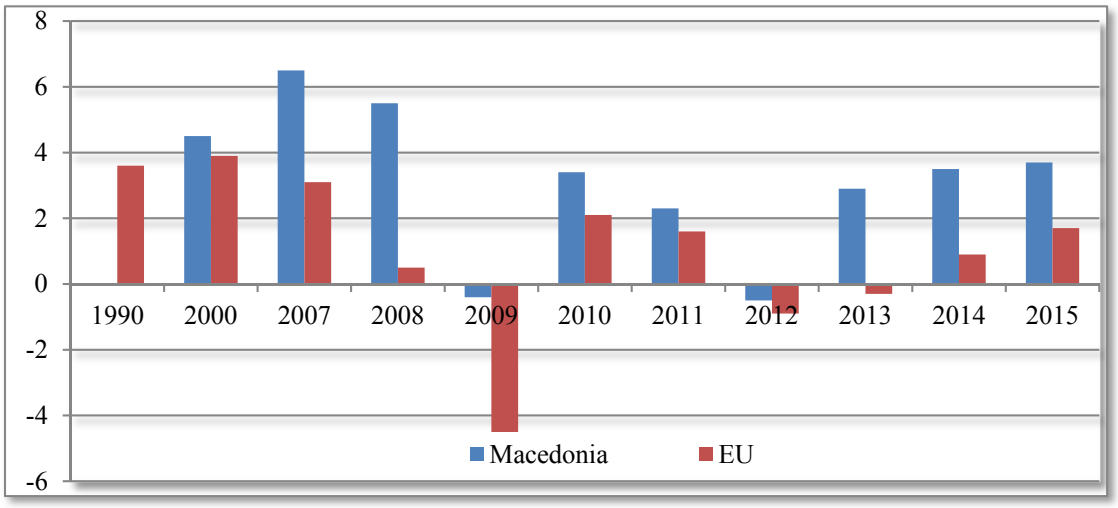
Population age category from 15 to 64 is defined as a labour work force. It is the driving force of the economy in each country. According to Figure 3, Macedonia hasn't got evident changes due to this demographic indicator. But, what is more important is the share of employed and share of unemployed people regarding this working age category. Allocation of the country's financial and social investment in human capital will determine whether regional differences in the country will be of large or small quantity.

Unlike Macedonia, the European Union shows a slight decrease in population age category from 15 to 64. Such decrease is likely to cause decomposition of the regional growth. The level of labour productivity, engagement in private and public sector, income levels, social security will determine whether there will be a rise in the working labour force in the EU

in the future. What must not be allowed is an outflow of this demographic category at the expense of increased ageing population. If it happens, it will withdraw serious social and economic differences among the regions in the Union.

Taking into account the applied demographic indicators for Macedonia and the EU, it can be said that demographic changes can be placed in the category of driving factor for bridging or increasing the differences between the rural and urban areas. The EU shows awareness for the importance of population growth and participation of the labour force for regional balance. Macedonia is yet to be faced with dealing this demographic challenge in the following years.

Figure 4. GDP Per Capita Growth in Macedonia and the EU (annual %)



Source: The World Bank, *World development indicators* (official website).

After its independence in 1991, Macedonia had positive effects of GDP growth with annual percentage results above zero. As it is shown in Figure 4, the country started the 21st century with positive trend of GDP per capita growth till 2008 when it started to decline due to the world economic crises (World Bank, WDI, 2016). In 2009, Macedonia faced negative consequences caused by the global economic recession which resulted with value of GDP growth below zero. Some improvements in direction of increase in GDP were tracked in 2010 and 2011, while 2012 was registered as a year with decline. GDP growth showed positive trends in 2013 due to increased industrial production and investments by the institutional sectors. Till 2015, this economic indicator in Macedonia maintained on a track of a steady growth.

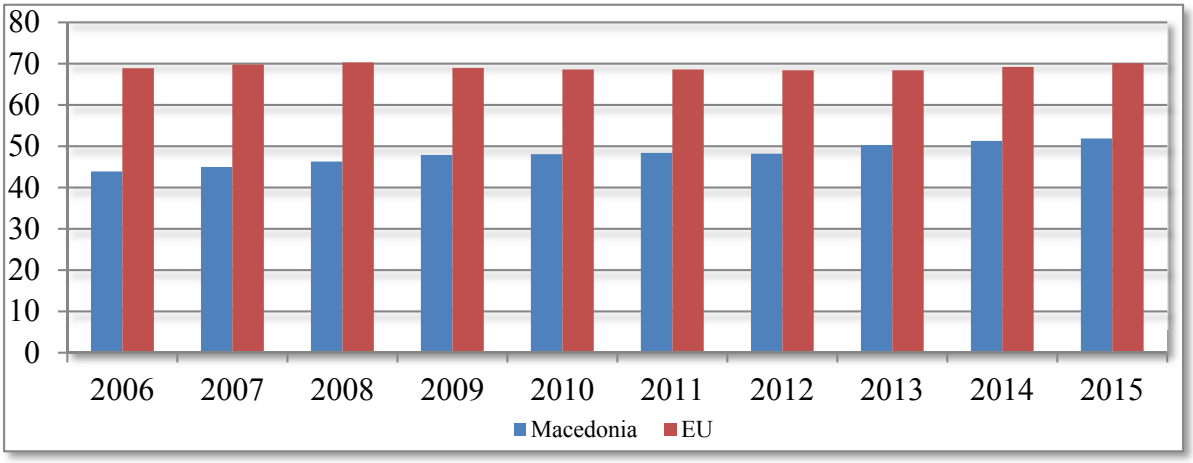
Figure 4 also shows that **GDP growth per capita** as an indicator was pretty stable over the previous decade in the EU. This century was evident by its smooth decline ending 2009 with dramatic decline regarding the economic and financial world crises. The cyclical

character of the GDP per capita growth in the EU is a result of its unequal increase and decrease among different regions in the Union. Those regions which showed increased GDP before the crises had decreased GDP after the crises, and vice versa (EU, 2016).

When comparing Macedonia and the EU in terms of GDP per capita growth, it is evident that after the world economic and financial crises in 2008, the EU managed to achieve faster growth in GDP terms and still manages to maintain as positive rate. For sure, this is positive signal that economy and productivity in the Union is in growth. In the case of Macedonia, the country had one more serious decline of GDP in 2012. GDP per capita is one of the most important economic indicators for each country. As it divides gross domestic product in the country with the number of the people in each country, positive or negative data indicates whether people in the country enjoy high or low living standards. Low level of disposable incomes of its residents can be one of the factors for such decline of GDP per capita in Macedonia.

Rate of employment is an important economic indicator which shows whether the economic productivity in a country is set on high or low level. Citizens spend their consumption basket depending on their personal income. High or low consumer spending measures the level of employment. The greater the consumption, the higher the employment rate, and vice versa. Whether employment is great or not at a certain period of time may depend on cyclical economic developments in the country. On long term, employment is stable or unstable depending on government's strategies and measures. Population age category from 20 to 64 is considered as a credible research sample for employment measurement in each country.

Figure 5. Rate of Employment by Age Group 20-64 in Macedonia and the EU (% of total)

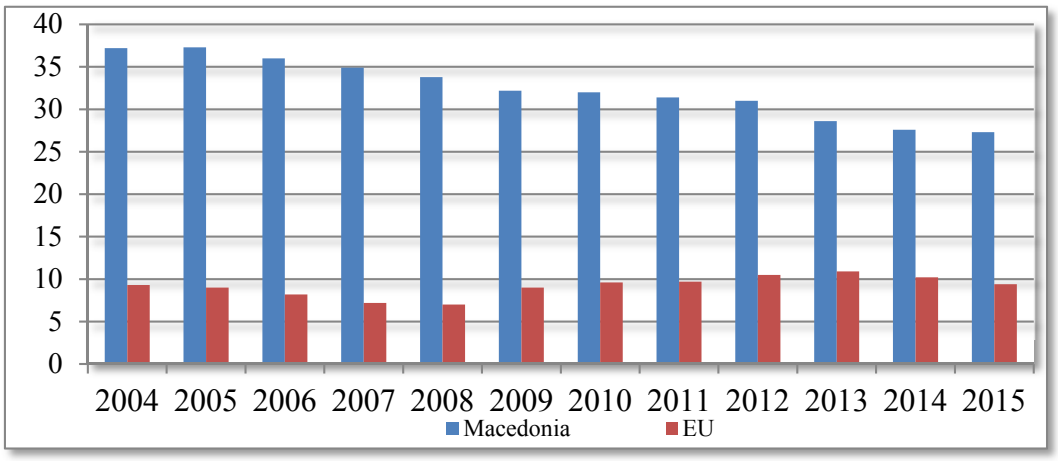


Source: The World Bank, *World development indicators* (official website).

Macedonia as a developing country has got a constant challenge to increase its employment. According to Figure 5, there was an evident rise in employment from 2006 with 43.9% to 2008 with 46.3%. This tendency lasted till 2009 with the highest 47.9% when the rate of employment showed slightly stagnation in terms of the growing trend since 2006. The year 2008 marked the great global financial and economic crisis. Potential threat for Macedonia from the crisis was loss of jobs in the country that were created as a result of the influx of foreign investments, as well as potential threat as a result of the serious decline in foreign demand for domestic production. The domino effect of the job cuts threatened to create social disparities along with economic ones too. In the years after the crisis, Macedonia managed to keep the employment rate with slightly increase from 2013 to 2015. One fact that has to be taken into consideration is that this increase in employment rate was measured on a smaller number of the total population in Macedonia due to the external migration to foreign countries throughout the past years and today.

Unlike Macedonia, the EU faced the economic and financial crisis in a different way. Financial recession through the collapse of the banking sector caused serious consequences in the EU economy. Like the case in Macedonia, the years from 2006 to 2008 were marked with rise in employment rate from 68.9% to 70.3%. In the years following the 2008, the crisis caused evident decline in employment rate. This downward trend lasted till 2013 with the rate of employment of 68.4%. Before and after the crisis, different countries within the EU showed different results regarding the labour market, i.e. different rate of employment. Sustainability of the employment rate in the EU will depend mostly on the vulnerability of each of the economies within its boundaries in terms of dealing with possible future global economic and financial shocks.

Figure 6. Rate of Unemployment in Macedonia and the EU (% of total)



Source: The World Bank, *World development indicators* (official website).

Rate of unemployment has got bigger influence on the social and economic development of each country. Higher unemployment causes higher poverty and lower GDP per capita, and vice versa. Unemployment can occur not only as a result of certain economic recession, but also as a reflection of the underused labour market. Rate of unemployment is known as a lagging indicator as it takes longer period of time to recover after some recession, i.e. to start to decline. Underused labour market may indicate that the country must work on implementing measures to stimulate creation of new jobs in the regions that were neglected or forgotten for a longer period. Economic activity of each country must not be concentrated around one main region or a city.

As it can be seen in Figure 6, Macedonia faced the biggest percentage of unemployment rate in 2005 reaching 37.3%. This situation affected economy regarding the goods and services that could not be produced in demanding quantity. Also, it had direct impact on the residents through the loss of their personal income and weakening of their purchasing power. During the crisis in 2008, the unemployment rate was still at high level with 33.8% far below the average rate in the EU at that point totalled 7%. Significant decrease was recorded in 2013 with 28.67%. The decrease might be a result of the policy measures for employment taken by the authorities, but also as a result of the unengaged labour force. Great part of the labour force in Macedonia was and still is not used in its full capacity. Principles of capitalism require fewer workers to produce the same or greater quantity of wealth for the companies. In these circumstances there is a risk for the country if it continues with a trend of minimum wages and greater profits. The risk lies mostly in the increase of the unemployed labour force that will eventually decide to work abroad. Decreased living standard is the main factor for such decision.

Unlike Macedonia, the EU showed different economic behaviour regarding the rate of unemployment. The lowest rate was marked in 2008 with 7%. The world crisis caused increase in unemployment from 2009 but that was understandable because the crisis had direct impact on the overall economy in the EU. A reason plus for the continuous increase in unemployment until 2013 despite the effects of the economic recession, was the influx of working age people from countries outside the EU borders in the EU.

It is important to note that for the overall relevance and accuracy of demographic and economic indicators in Macedonia, the census in Macedonia is the crucial factor. Considering that the last census was conducted in 2002, the absence of current census of the population in Macedonia in the past 14 years is a serious problem in detecting the actual situation of displaced persons from Macedonia abroad. Recent data can be provided by the World Bank and Eurostat which always exist as reliable sources of the world demographic and economic data. According to the World Bank (2016), it was estimated that by the year 2010, 447.138 Macedonian residents emigrated abroad or estimated emigration rate of 21.8% of the total population. People who emigrate usually belong to

the group of working population with special emphasis on young highly educated and unemployed people, as well as on highly educated employed population. Weak economic growth rate, continued unemployment, unsatisfactory living standards that are equal to a third of the European average and vulnerability to external crises are identified as critical push factors which make residents searching for better economic and social living conditions outside Macedonia.

3.2 The Differences in Regional Development in Macedonia

In the past two decades, similarly as in many developing countries in the Balkan region, the situation in Macedonia followed the path of an increasing gap between rural and urban areas. According to the World Bank's analysis for Macedonia (World Bank, 2016), in 1990 in Macedonia, urban population represented 57.8% of the total population, in 2000 it represented 62.9%, while in 2010 it reached the highest peak of 67.1%. On contrary, in 1990 rural population represented 42.2% of the total population, in 2000 it represented 37.1%, while in 2010 it reached the lowest peak of 32.1%. The situation in 2014 changed due to decrease in urban population representing 57.1% of the total population, and increase in rural population representing 43% of the total population. This change in proportion in urban and rural population is mostly affected by the number of residents who moved outside the country's borders (World Bank, 2016).

As it is presented in Figure 7, according to the latest population census in Macedonia in 2002, the biggest population concentration is situated in urban areas, with the following numbers in percentage in descending order:

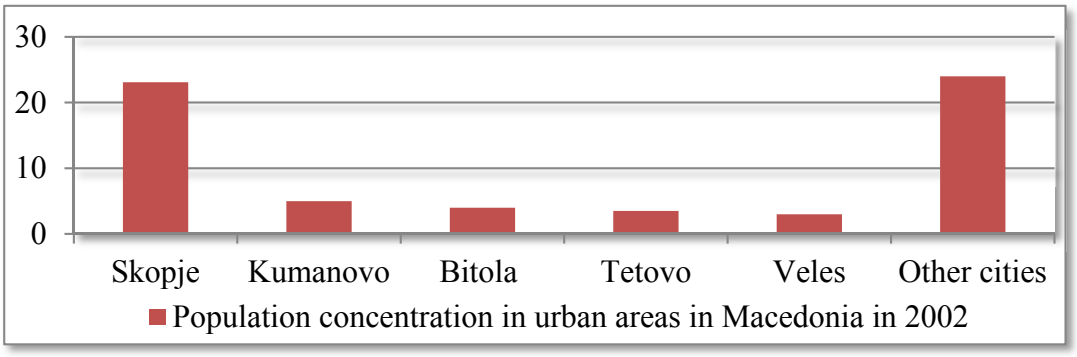
- 23.1% in Skopje,
- 5% in Kumanovo,
- 4% in Bitola,
- 3.5% in Tetovo,
- 3% in Veles and
- 24% in other cities in the country with fewer inhabitants (max to 15,000 people per city).

There are eight statistical regions in Macedonia:

The **Vardar Region** covers 16.2% of the total area, or more precisely, it represents the central part of Republic of Macedonia extending along the river Vardar and Valley of Ovche pole. From all the regions, this region is ranked as the last one according to the number of people living there. As a region it is geographically suitable for production of wine. Vardar Region counts the following municipalities: Veles, Gradsko, Demir Kapija, Kavadartsi, Lozovo, Negotino, Rosoman, Sveti Nikole and Chashka.

The **East Region** covers 14.2% of the total area that is concentrated in the far east part of Republic of Macedonia along river Bregalnica. Winter tourism and alternative tourism exist like potential future sources for tourist business activities. It has got geographical preconditions for cultivation of fruits and vegetables. The cultivation of rice is specifically available in the fields of Kochani. The East Region includes these municipalities: Berovo, Vinitsa, Delchevo, Zrnovtsi, Karbintsi, Kochani, Makedonska Kamenitsa, Pehchevo, Probishtip, Chesinovo – Obleshevo and Shtip.

Figure 7. Concentration of People in Urban Areas in Macedonia in 2002 (in %)



Source: SSORM, *Census of population, households and dwellings in the Republic of Macedonia*, 2005, p. 20-25.

The **Southwest Region** is settled in the far southwest part of the Republic of Macedonia. The region covers 13.4% of the total area. It is recognizable as a region with great hydroelectric potential which is partly used with the hydroelectric plants placed on the artificial lakes Globochica and Shpilje. Ohrid as a historical and cultural town together with the Ohrid Lake as one of the biggest natural treasure in the country gives this region a predisposition for tourism development. It includes several municipalities: Vevchani, Debar, Debartsa, Kichevo, Makedonski Brod, Ohrid, Plasnitsa, Struga and Centar Zhupa.

The **Southeast Region** is situated in the far southeast part of the Republic of Macedonia along the river Strumica and lower reaches of the river Vardar. This region has got a potential for tourism development with the lake Dojran especially because of its revitalization in the last several years. It has got great agricultural potential. It is known for its quality fruits, vegetables and industrial crop products which give this region a serious geographical bench mark for further quality production. The total land area by this region is estimated at 10.9%. It is consisted of these municipalities: Bogdantsi, Bosilovo, Valandovo, Vasilevo, Gevgelija, Dojran, Konche, Novo Selo, Radovish and Strumitsa.

The **Pelagonia Region** is in the south part of the Republic of Macedonia along the Valley of Pelagonia and the lake Prespa with 18.9% of the total land area in the country. This

region has got an advantage for agricultural development with solid hydrographical potential. It is also known as the biggest electricity producer because of the coal existence. There are wider possibilities for tourism with presence of the Prespa Lake, the tourist town Krusevo, as well as the National Park Pelister. It is consisted of these municipalities: Bitola, Demir Hisar, Dolneni, Krivogashtani, Krushevo, Mogila, Novatsi, Prilep and Resen.

The **Polog Region** is widespread at the northwest part of the Republic of Macedonia with 9.7% of the total land area. The Polog Valley creates great opportunities for agricultural activities, while Mavrovo Lake is used for building hydroelectric plants that gives this region significant hydroelectric potential. Winter tourism with existing winter resorts has got also a promising perspective for this region. Existing municipalities of this region are: Bogovinje, Brvenitsa, Vrapchishte, Gostivar, Zhelino, Jegunovtse, Mavrovo and Rostusha, Teartse and Tetovo.

The **Northeast Region** is in the far northeast part of the Republic of Macedonia. It covers pretty small land area with estimated 9.3%. As a region has a favourable condition for development of food industry. Mountain Osogovo is known for the mineral deposits. Its municipalities are: Kratovo, Kriva Palanka, Kumanovo, Lipkovo, Rankovtse and Staro Nagorichane.

Figure 8. Republic of Macedonia / Statistical Regions and Municipalities

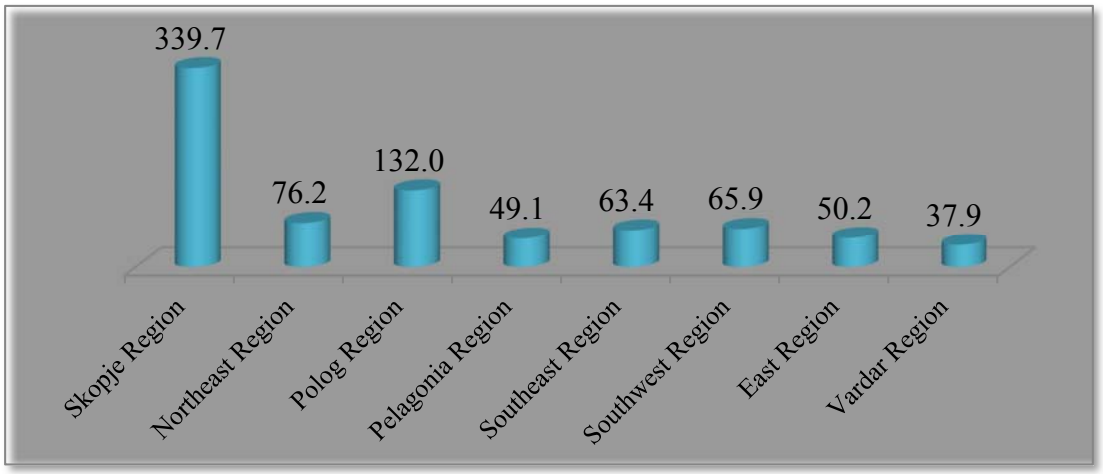
Source: SSORM, *Regions of the Republic of Macedonia*, 2015, p. 12.

The **Skopje Region** exists in the far northeast part of the Republic of Macedonia and as smallest region in comparison with other regions it covers 7.3% of the total country's land

area. It is in the far northeast part of the Republic of Macedonia. Translated in people living there, it is the most populated region in the country. Most of the industrial, business and services activities are settled there. The solid infrastructure is also one of the characteristics of this region. Skopje as a capital town of the country represents the most significant administrative, economic, educational, social and cultural centre where most of the people gather and live from all the other regions in the country. That's why the trend of increased internal migration is the most present in Skopje. It is consisted of the following municipalities: Aerodrom, Arachinovo, Butel, Gazi Baba, Gjorche Petrov, Zelenikovo, Ilinden, Karposh, Kisela Voda, Petrovets, Saraj, Sopishte, Studenichani, Centar, Chair, Chucer – Sandevo and Shuto Orizari.

According to the population density by regions presented in Figure 9, Skopje region is the most densely populated region in the country with 336.7 inhabitants per km^2 of the total population, while the Vardar region is the least populated region with 38 inhabitants per km^2. In 2013, SSORM estimated approximately 44% of rural population. Skopje region manifested increase in population number with nearly 80% of the total increase in population. All rural areas were characterized with decrease in population number, as well as with the biggest number of illiterate population with the highest percentage of poverty (48%). The lowest rate of poverty is registered in Skopje with 12%.

Figure 9. Population Density by Regions in Macedonia in 2014 (inhabitants / km2)

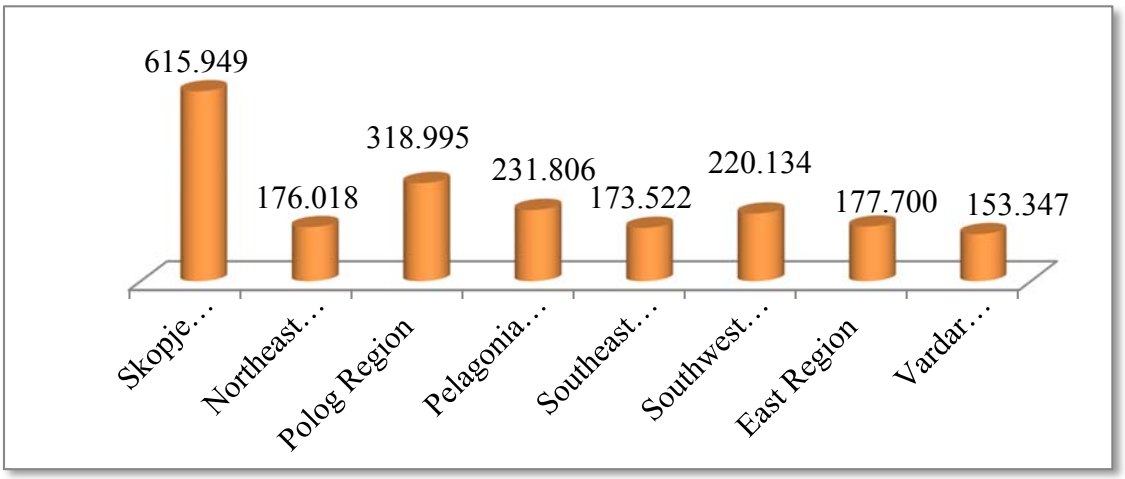


Source: SSORM, *Regions of the Republic of Macedonia*, 2015, p. 15.

Density of population in Macedonia depends mostly on population growth, internal migration and quality of existing living conditions. One of the factors with the biggest influence is surely the attraction of a certain region in the country in economic sense. People will always strive to move to the region which offers necessary support in availability of basic services, education, solid infrastructure, working possibilities and

organized local communities. As it can be seen in Figure 10, it is evident that most of the people see the region of Skopje as the most hopeful place to find all the aforementioned living conditions. It is estimated that most of the population lives in the Skopje Region; the Polog Region takes the second place, and as the least populated ends the Vardar Region.

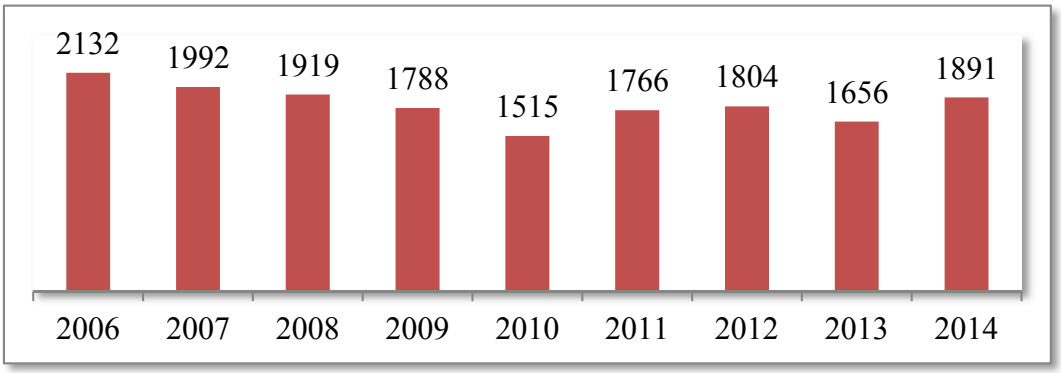
Figure 10. Total Population by Regions in Macedonia in 2014 (in 000)



Source: SSORM, *Regions of the Republic of Macedonia*, 2015, p. 15.

There are several factors for internal migration translated into bigger satisfaction of the living standards that people have in urban areas rather than in rural or less rural areas in Macedonia. But above all, the main causes which force people to migrate to urban areas are existence of proper educational institutions, access to primary health care, employment and higher income earnings.

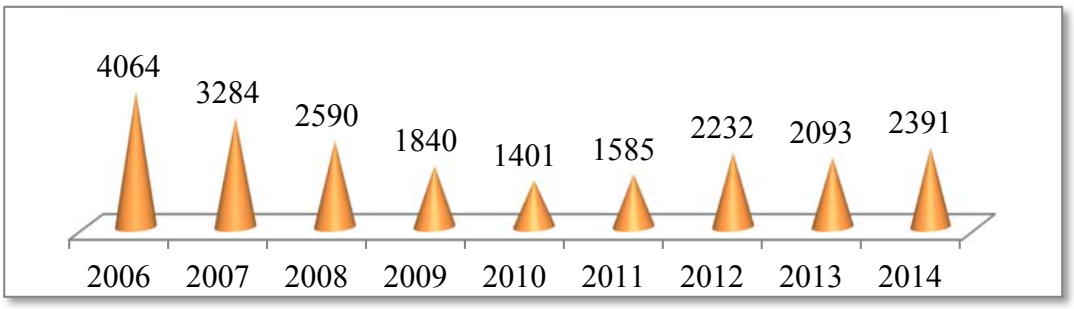
Figure 11. Internal Migration from Rural to Urban Areas in Macedonia (in 000)



Source: SSORM, *Sustainable development*, 2015, Table 4.5.1.

According to Figure 11, in general, over the years, there is a constant process of internal migration from rural to urban areas on the Macedonian territory. After the evident decline in internal migration in 2010, 2011 was marked with rise in migration from rural to urban areas due to existing better living environments and development of industrial and services activities in urban areas. After the cyclical movement of internal migration in the following years, 2014 shows an upward trend which must be viewed as a clear signal that certain instruments and measures should be taken in reducing of this type of migration.

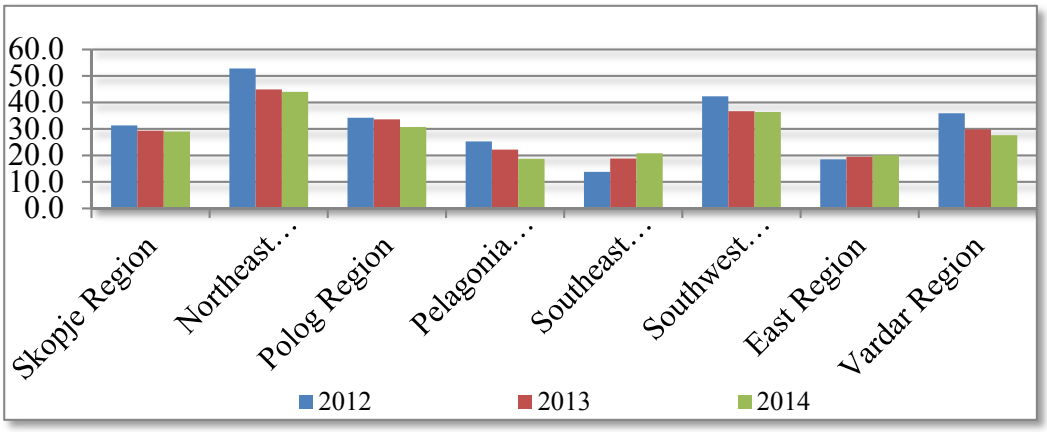
Figure 12. Internal Migration from Rural and Urban Areas to Skopje (in 000)



Source: SSORM, *Sustainable development,* 2015, Table 4.5.2.

Once again, Figure 12 indicates that the sustainable upward trend of migration in Skopje after 2010 is a result that overall services and business activities that are vital for the residents in the country are concentrated in the state capital. Certainly, if there had been serious decentralization of the same activities in other urban and less urban areas, the overall picture would have been different. Such tendency of increased migration to Skopje also indicates that there is a lack of social infrastructure in other areas different than Skopje.

Figure 13. Rate of Unemployment by Regions in Macedonia (in %)



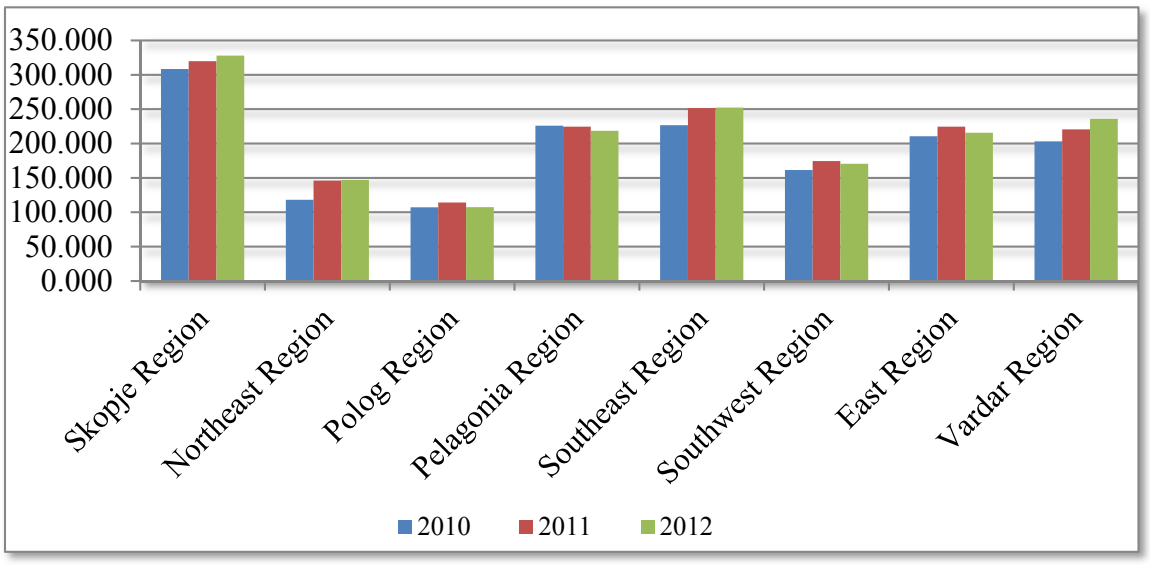
Source: SSORM, *Regions of the Republic of Macedonia*, 2015, p. 35-36.

Internal migration is caused by regional disparities in Macedonia. Regional disparities indicate the differences that exist in demographic, economic and social development between urban and rural areas, or among different regions in the country. Some of the regional disparities can be seen by two indicators (SSORM, 2015):

- rate of unemployment by regions and
- GDP per capita by regions.

Relatively high unemployment rate above the European average in all regions in Macedonia is another indicator that further measures what should be undertaken in the country that would necessarily lead to revival of the abandoned rural and less urban areas like providing certain infrastructural facilities that would be of capital importance for the citizens and the country.

Figure 14. GDP Per Capita by Regions in Macedonia (in denars)



Source: SSORM, *Regions of the Republic of Macedonia*, 2015, p. 48.

Figure 14 shows that Skopje Region is characterized with the highest GDP per capita in the country, while Polog Region with the lowest GDP per capita. As it can be seen, GDP manifests different data in each region. Such differences in GDP per capita in the regions may be due to the difference in GDP per capita in certain region where residents live and GDP per capita in other region where the same residents work. For example, when a single employee is working in one region, but lives in another region, there is a trend of increasing GDP in the region where a person is employed, and tendency of reducing GDP in the region where he lives.

4 EMPIRICAL STUDY OF INTERNAL MIGRATION IN WORKING ENVIRONMENT IN MACEDONIA

Having on mind the importance of internal migration on one side and the sensitivity of the same on the other side for the case of Macedonia in terms of social and economic state balance, statistical data on demographic and economic indicators were supported by empirical analysis of a population category that is particularly important for this research, the category of employed people.

4.1 Research Methodology

The main goal of my empirical analysis was to investigate the nature of internal migration in Macedonia and determine the comparative importance of different variables associated with the process of migration.

The survey was conducted through on-line questionnaire of 280 respondents as a sample with intention to obtain answers of the following main research questions:

- What factors are considered as important for internal migration to occur in working environment in Macedonia? What can indicate these factors?
- What is the correlation between the educational degrees of the employed people and their incomes in Macedonia?
- To what extent employed people feel secure in economic and social terms in their working environment in Macedonia?
- What are the most important institutional spheres that could support development of the rural areas in Macedonia? To what degree each of these spheres can be influential?
- What is the inclination of Macedonians to live outside Macedonia and why would they do so?

The questionnaire was created as an online survey and distributed to around 1,000 employed people as sample respondents of which 280 were registered as participants who have responded. The main reasons why the employed people were taken as targeted population for this empirical analysis are the following:

- As in any country, employees in Macedonia are the main development driving force of the country,
- Employees have already had a better sense of the difference among basic, normal and satisfactory living conditions in the country,
- The sum of the personal perceptions of each employee by the places where they live and work in Macedonia is the basis for further solid objective conclusions, and
- Employed, educated mass of population is presumed to be perceived by the state as one of the major stakeholders in the country.

The questionnaire is structured of four major set of questions: demographic, economic, social and environmental. The first, demographical one involves gender, age, place of birth, place of living, place of working and educational level of the respondents. This demographical structure gives the first impression of the type of respondents covered in the survey. The second, economical one involves current income earnings for each employee, as well as current income earnings in family terms of each employee. Also, the level of work position and the company's scope of employees will manifest to some extent the economic capacity of the country. The third, social set of questions includes the reasons why employees might move to another working place, what keeps them working for the current companies, and the level of their social security in the future in the working environment in the country. The last set of questions reveals the key institutional factors that respondents consider important for healthy environmental living in the country.

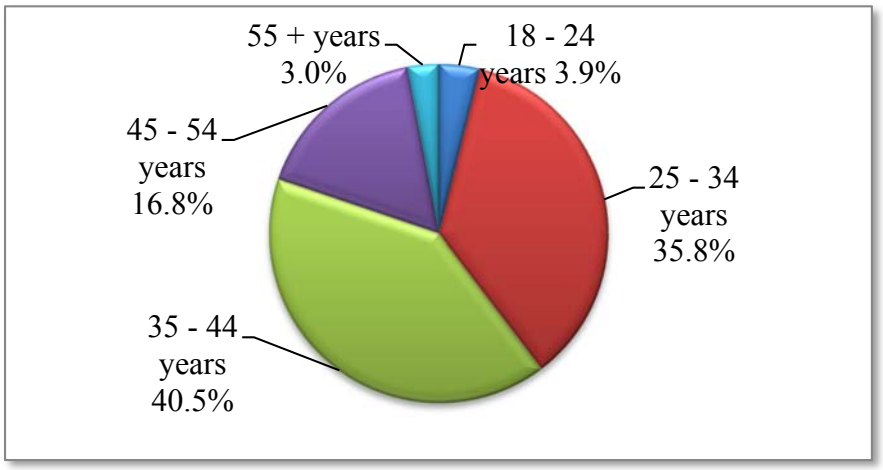
4.2 Research Results

The survey was conducted for a period of 2 weeks. Regarding the gender of the respondents, 68.2% are registered as female and 31.8% as men of the total respondents.

4.2.1 Factors for demographic distribution in working environment

Figure 15 describes the proportional representation of respondents according to their age. 40.5% of them are at age of 35-44, 35.8% at age of 25-34, 16.8% at age of 45-54, 3.9% at age of 18-24, and 3% older than 55 years.

Figure 15. Age Structure of Respondents in Macedonia (in %)



Following demographic results in Figure 16 and Figure 17 reveal the place of birth and place of current living of the respondents. Figure 16 shows that most of the respondents were born in Skopje with 66.7%, than Bitola with 5.4%, Stip with 5%, Tetovo with 3.6%,

Ohrid and Veles have 2.9%, Kumanovo and Kocani have 2.5%, while the rest of the cities have results below 1%.

Figure 16. Place of Birth of the Respondents in Macedonia (in %)

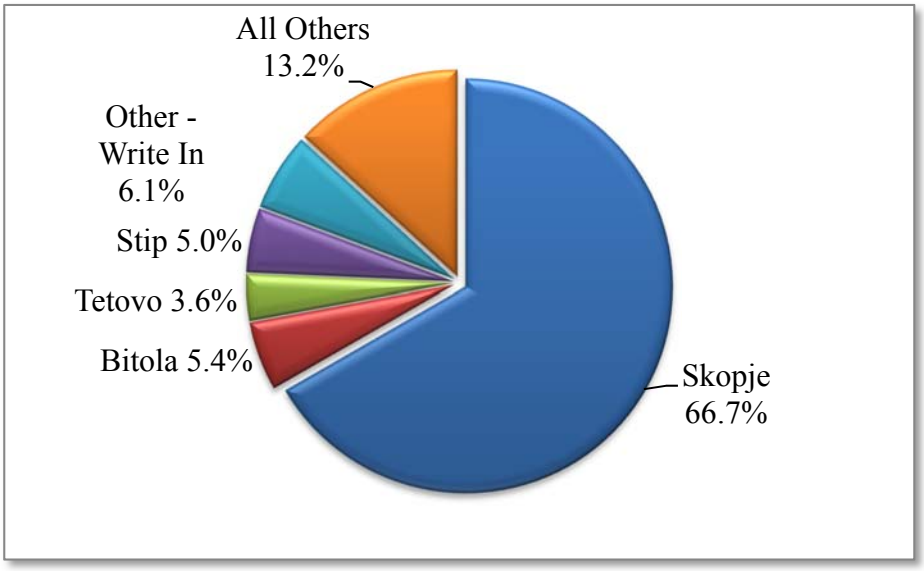
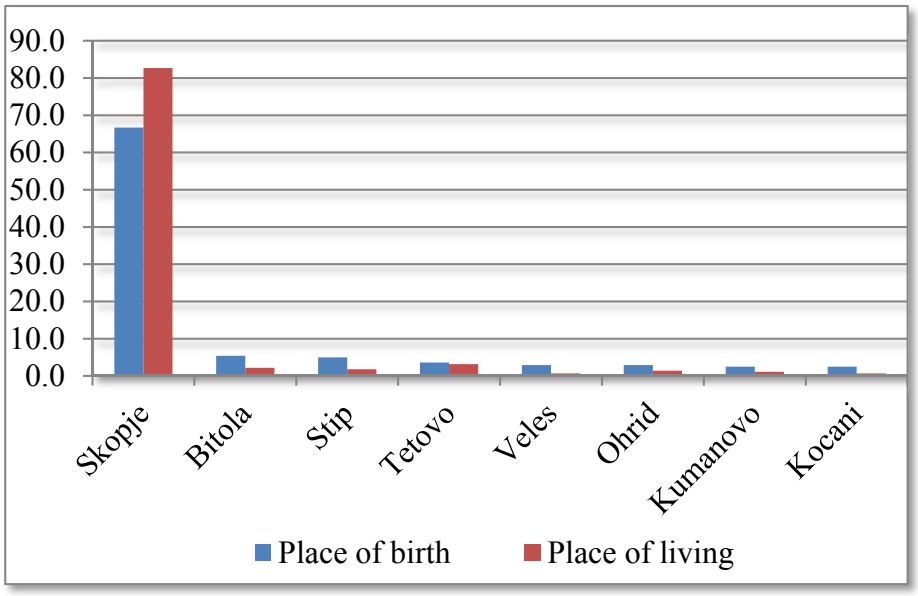


Figure 17. Place of Birth and Place of Current Living of Respondents in Macedonia (in %)



In comparison with current places of living as shown in Figure 17, majority of the respondents with 66.7% were born in Skopje, but even more of them with 82.7% live in Skopje at the moment. According to the sample respondents, respondents from all other cities besides Tetovo tend to move out of their birth cities. This is not the case only for Tetovo where the proportion of respondents who were born and live there is approximately

the same. It is important to note that these percentage results cannot be generalized for all employees like population category in Macedonia, but rather could indicate to positive or negative implications from internal migration.

Figure 18. Educational Degree of Respondents in Macedonia (in %)

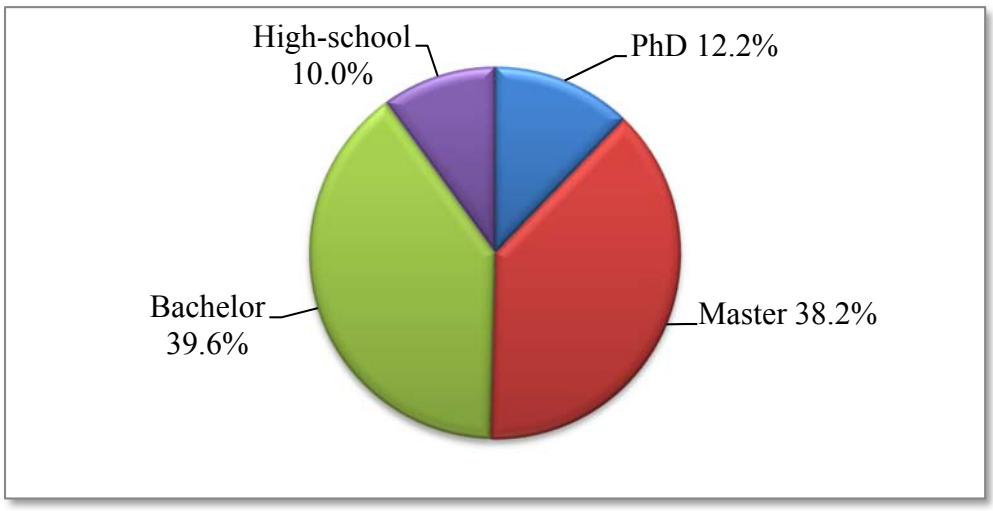
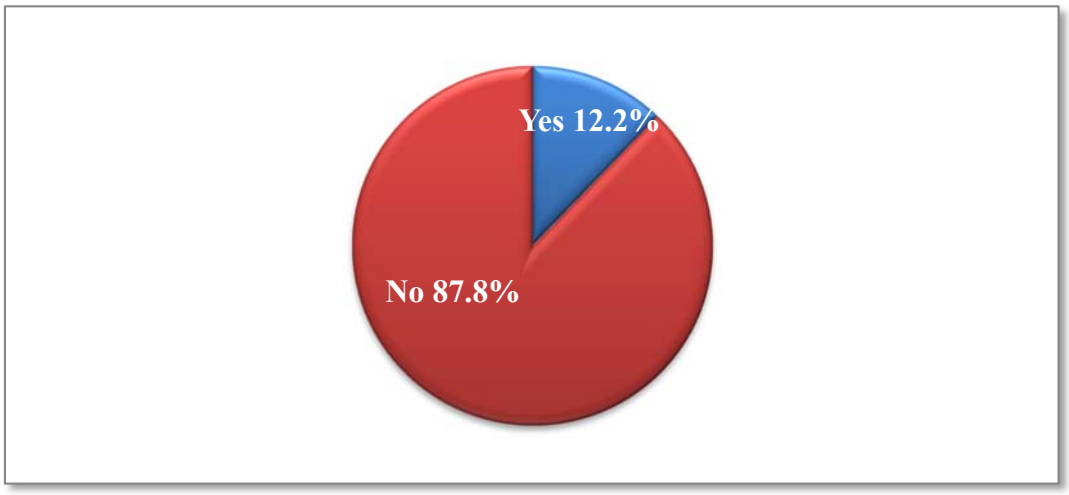


Figure 19. Do Respondents Work at the Same Place
Where they Live in Macedonia? (in %)



According to the results in Figure 18 about the proportion of respondents by their level of education can be concluded that respondents are highly educated in following percentage order: 39.6% with Bachelor degree, 38.2% with Master degree, 12.2% with PhD degree, and the last 10 % with high-school degree.

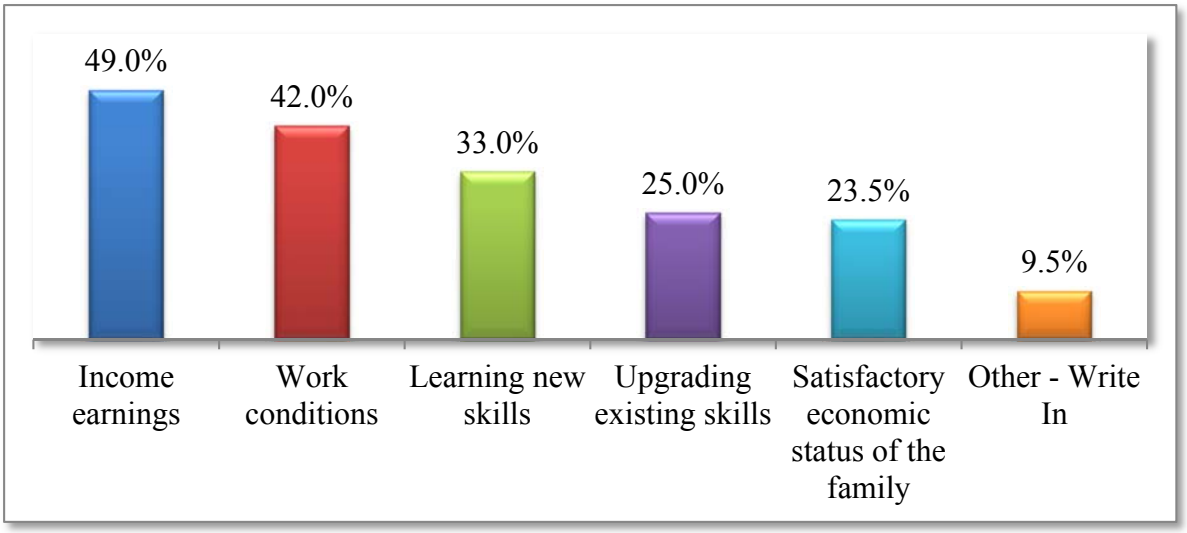
Regarding the working and living place, 12.2% of the respondents said that they worked in a place other than their living place (Figure 19). At first glance, this percentage may seem

small, but not less important as a result if it is seen through the prism of the people's willingness to be mobile and flexible when it comes to their economic security. Again, this result can serve only as an indication, and cannot be generalized for all employees in Macedonia. According to the sample results, bigger percentage of people who live (82.7%) and work (87.8%) is concentrated in Skopje. This indicates that Skopje as a capital city and major business centre in Macedonia is perceived by the respondents as a favourable place to earn higher incomes and gain stable social status for themselves and their families.

4.2.2 Economic and social character of internal migration

In addition of the previously discussed results, Figure 20 gives the social dimension of the same. People always strive for the environment where they feel most secure in social terms. Although, income earnings almost always hold the first place as pull factors, social carelessness of the residents covers broader segment of their everyday life. Of course, if economic security exists with satisfactory income levels, social security will be fulfilled, and the incomes are only one of the factors in obtaining social status for each resident in the society. 49% of the respondents reported that income earnings are the key factors that pull them to work for the respective company. That means that most of the respondents in the survey have no problem to work in a place other than their place of residence.

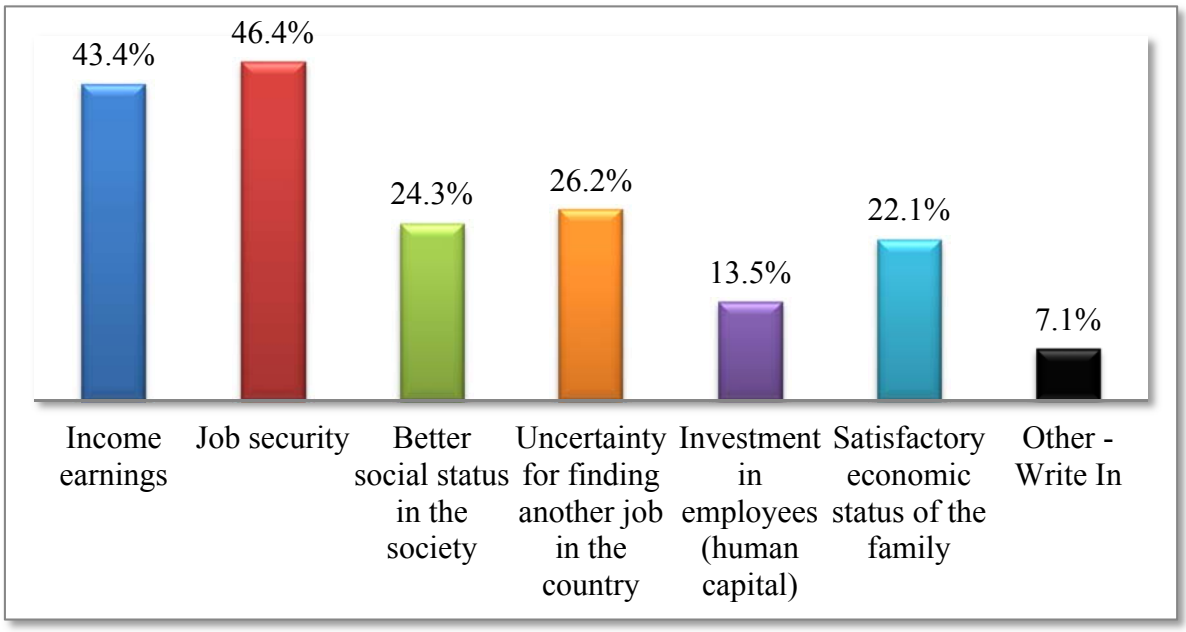
Figure 20. Reasons for Respondents to Work for the Company when Place of Work Differs from the Place of Living in Macedonia (in %)



Although Macedonian citizens in the core of their mentality have the habit to work closer to their place of living, over time this habit gradually has changed when it comes to satisfaction of their life necessities. Other factors in Figure 20, although in smaller percentage than the income earnings, are just as important as the incomes in completing the overall economic and social security of the respondents in this survey.

The relationship between economic and social factors that are decisive for the respondents to continue to work for company for which they currently work has given the following results. The job security as a leading factor with 46.4% puts the income earnings as a factor on the second place with 43.4%. This indicates that although income earnings are the most important for decision for working in certain company, however with time, the job security takes the primacy. These results might also indicate several important things: the state uncertainty in which respondents live and work; little or no mobility at the labour market; and suppressing employees' qualities and abilities before safety of the working place as the most important. If internal migration is analyzed in the light of the results in Figure 21, it can obtain a negative connotation because over time it can cause mass concentration of population in one place if they decide to live in the same environment where they work. And yet, the purpose of internal migration is to promote the development of the residents in their social context, as well as promotion of the country's development in economic and environmental terms. Job security as a factor should be taken into consideration as a serious indicator for the economic and social situation in Macedonia.

Figure 21. Factors for Respondents to Keep Working for their Companies in Macedonia (in %)

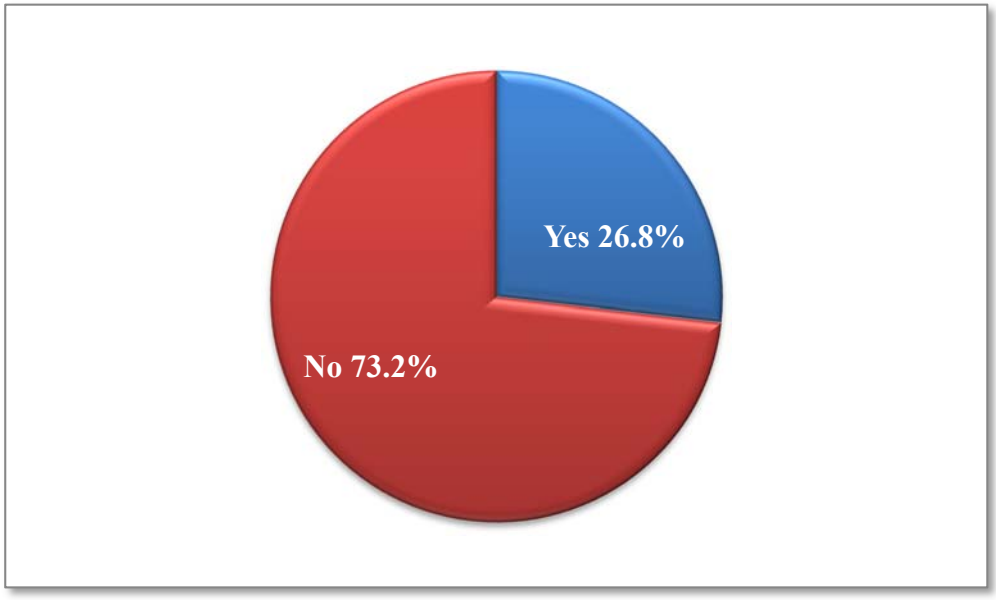


According to the respondents' answers in Figure 22, following economic and social trends can be identified as present on the labour market in Macedonia:

- Increasing concern for personal and family economic status,
- Low social protection and
- Possible fear of job loss.

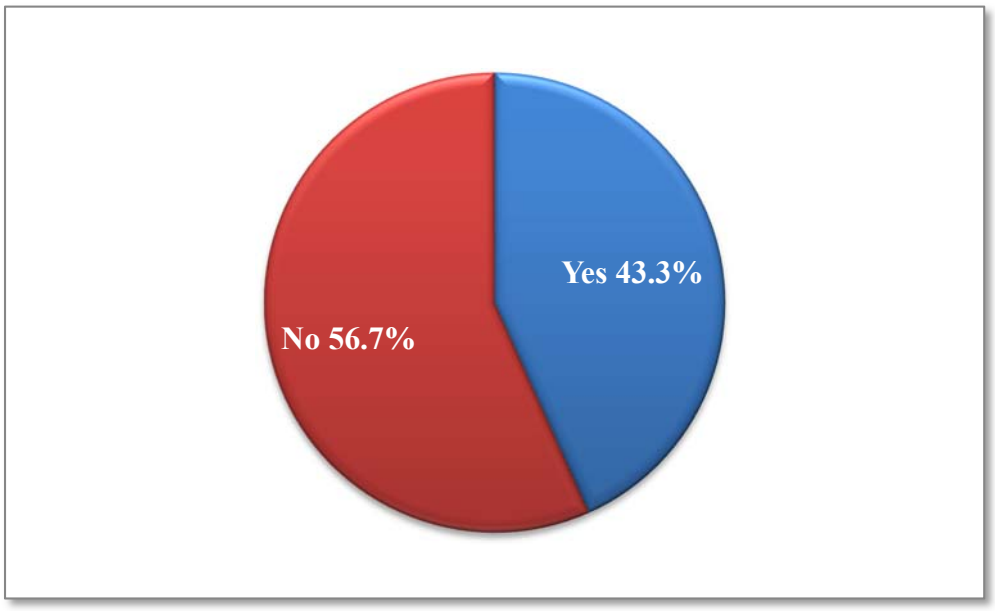
Income earnings with 43.4% and job security with 46.4% as leading factors by their importance for the respondents identify mutual connection between above mentioned trends. Income earnings are important for the concern for higher economic status and possible fear of job loss. The job security is important for increasing the social protection at work that would reduce the fear of job loss.

Figure 22. Would Respondents Accept a Job that Offers Low Income and High Job Security in Macedonia? (in %)



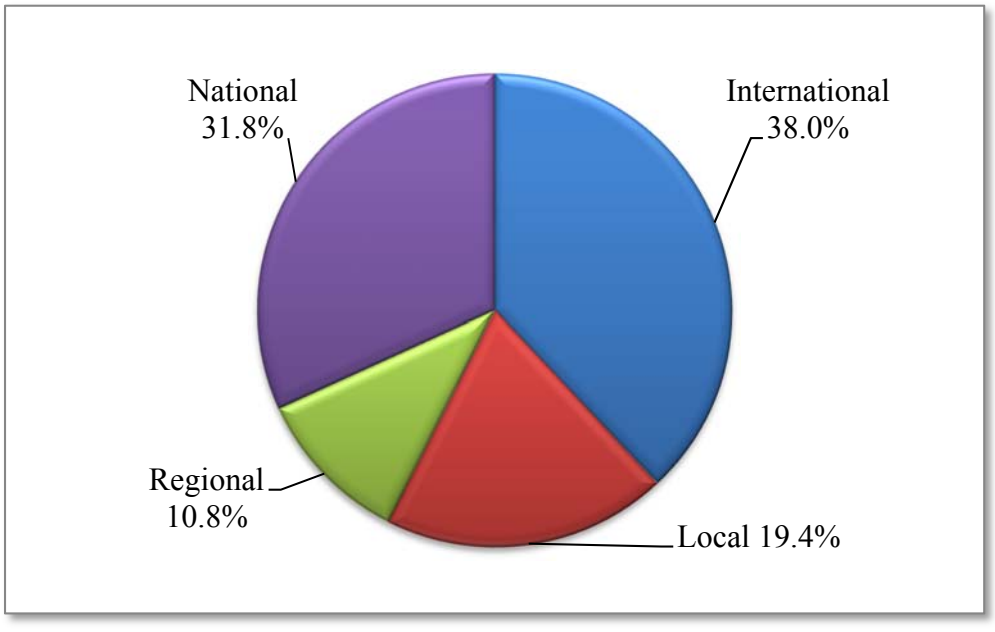
Although 56.7% of the respondents who work and live in Skopje said that they would not accept level of income that was enough to meet their basic living standards as presented in Figure 23, 43.4% of the respondents who said that they would accept a level of income that was result that should not be neglected. Since *basic living needs* as economic indicator are relative for each respondent and it cannot be generalized for all the respondents who answered positively. Average monthly net salary in Macedonia in September 2016 (SSORM, 2016) was MKD 22.191, while minimum net salary in 2016 (SSORM, 2016) was MKD 10.080. According to Macedonian Trade Union (2016), the sum of MKD 32.263 was needed to satisfy the consumer basket for one family in Macedonia in September 2016. Also, the Macedonian Trade Union in 2016 calculated that average monthly salary covered only 67.5% of the monthly family consumer basket. These numbers indicate that everything that is over the minimum net salary is desired to meet the daily living standards.

Figure 23. Would Respondents Accept Income Enough to Meet their Basic Living Needs in Macedonia? (in %)



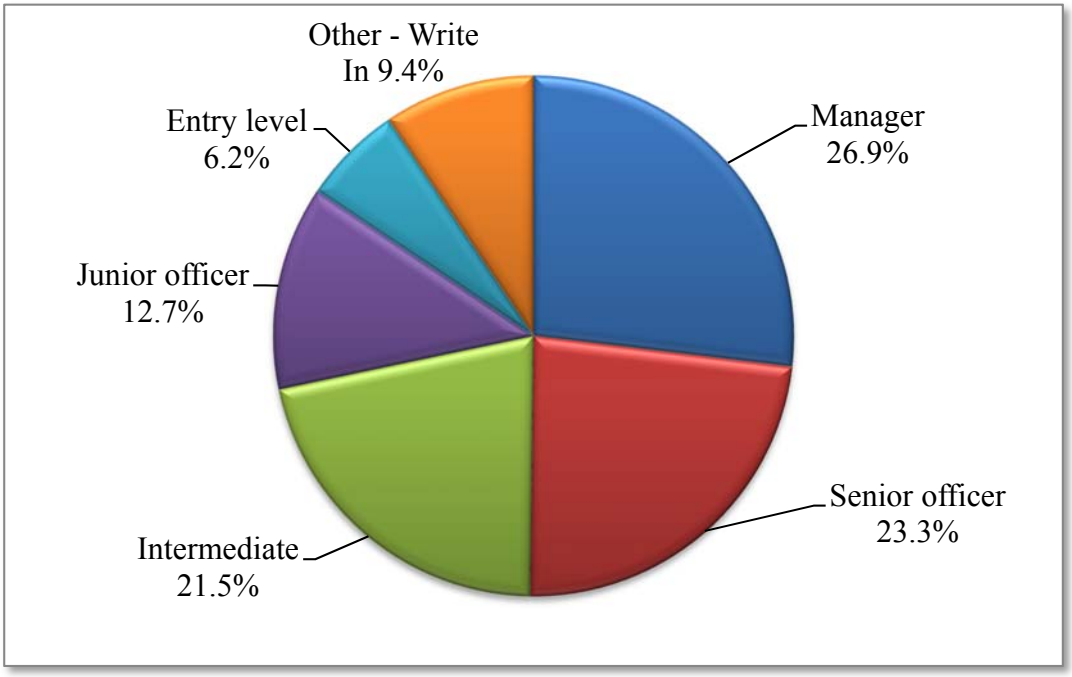
According to the company's scope in Figure 24, 38% is a result for respondents who work in international companies, 31.8% in national companies, 19.4% in local companies, and 10.8% in regional companies. These sample results give only initial picture of the type of capital present in the companies in Macedonia, and it does not necessarily mean that percentage proportion of the same size exists in the whole country.

Figure 24. Company's Scope of Respondents in Macedonia (in %)



As shown in Figure 25, respondents' structure by their level of work position gives the following results. The top of the result scale belongs to managers with 26.9%, senior officers with 23.3%, intermediates with 21.5%, junior officers with 12.7%, and 6.2% for respondents with entry level. Such percentage presentation of results verify the importance and relevance of this empirical research with respondents who posses quality, productive and experience performances.

Figure 25. Level of Work Position of Respondents in Macedonia (in %)



Current personal income of each respondent gives the following percentage results in Figure 26: 33.7% for income category (MKD 20.000-MKD 29.000), 22.2% for income category (MKD 30.000-MKD 39.000), 16.5% for (MKD 10.000-MKD 19.999), 12.5% for (MKD 60+), 7.2% for (MKD 50.000-MKD 59.000), 6.5% for the category (MKD 40.000-MKD 49.000) and the last lowest one, 1.4% for income category (less than MKD 10.000).

Results for the monthly family income are different from those for personal monthly incomes. As presented in Figure 27, the biggest percentage of 38.1% belongs to the category of family income (MKD 60.000+), the second place holds the category (MKD 50.000-MKD 59.999) with 18.5%, category (MKD 40.000-MKD 49.999) with 15.4%, category (MKD 20.000-MKD 29.999) with 11.4%, category (MKD 30.000-MKD 39.999) with 10.3%, category (MKD 10.000-MKD 19.999) has 5.9%, and the last result with the lowest percentage of 0.4% belongs to the family income category (less than MKD 10.000).

Figure 26. Current Monthly Income of Respondents in Macedonia (in %)

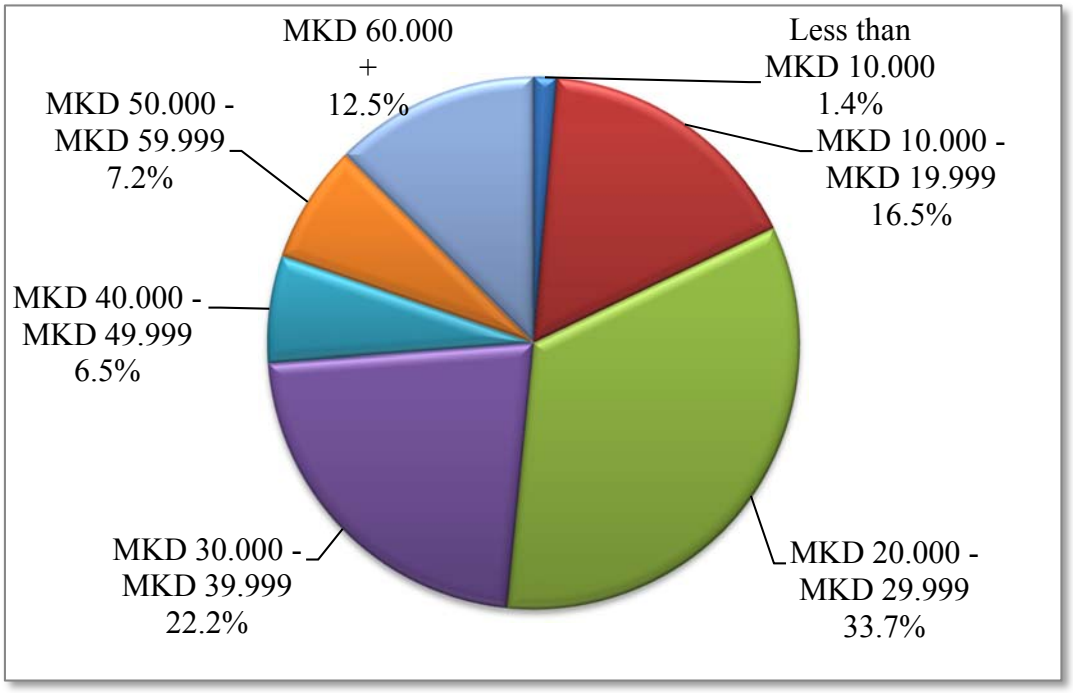
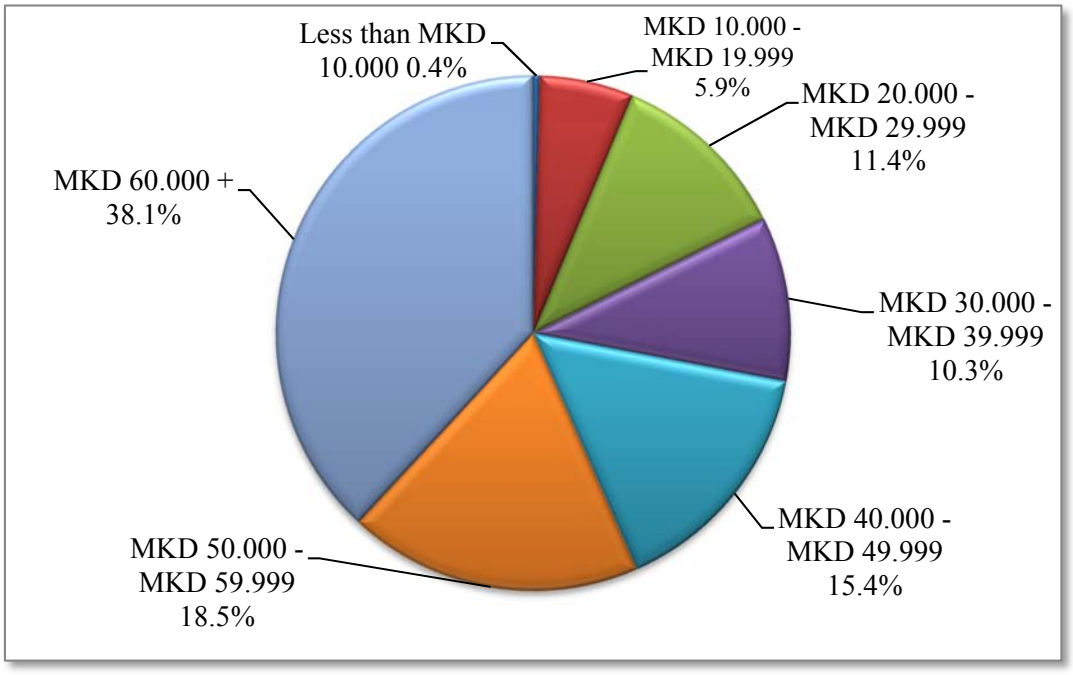


Figure 27. Family Monthly Income of Respondents in Macedonia (in %)



The result of 38.1% for the highest category of family monthly income (MKD 60.000+) indicates comfortable enjoyment of living standards for those respondents in family terms. But, in conditions of consistent unemployment and limited mobility at the labour market in

Macedonia, the job loss can seriously contribute to social and financial insecurity not only for the individuals themselves, but also for their families.

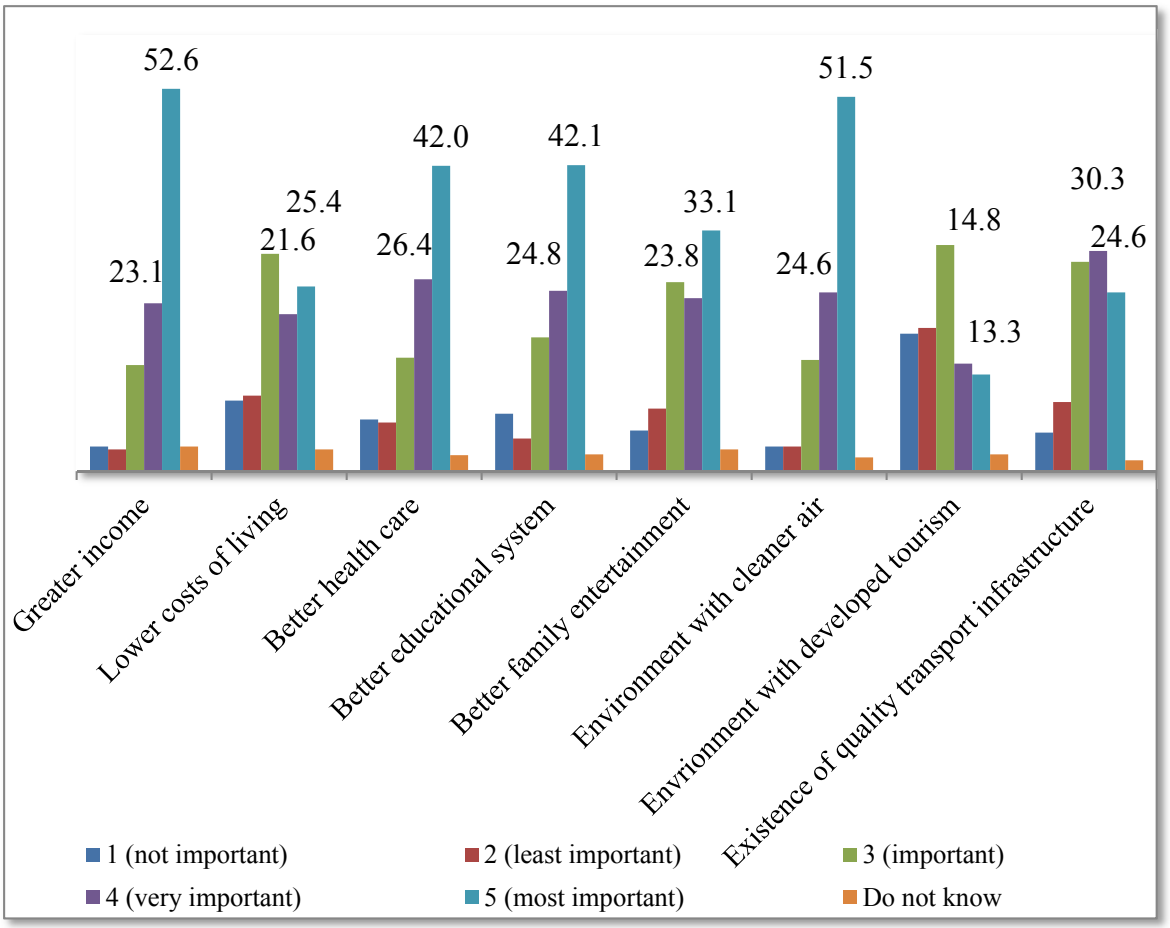
4.2.3 Urban and rural pull factors

Environmental indicators in this survey will show that they can play an important role for improving the conditions of the urban and rural areas in the regions across Macedonia.

Leading factors by importance on the scale from 1 to 5 for the respondents that would pull themselves to like to move to another city are (Figure 28):

- Greater income (54.6%),
- Environment with cleaner air (51.5%),
- Better educational system (42.1%) and
- Better health care (42.0%).

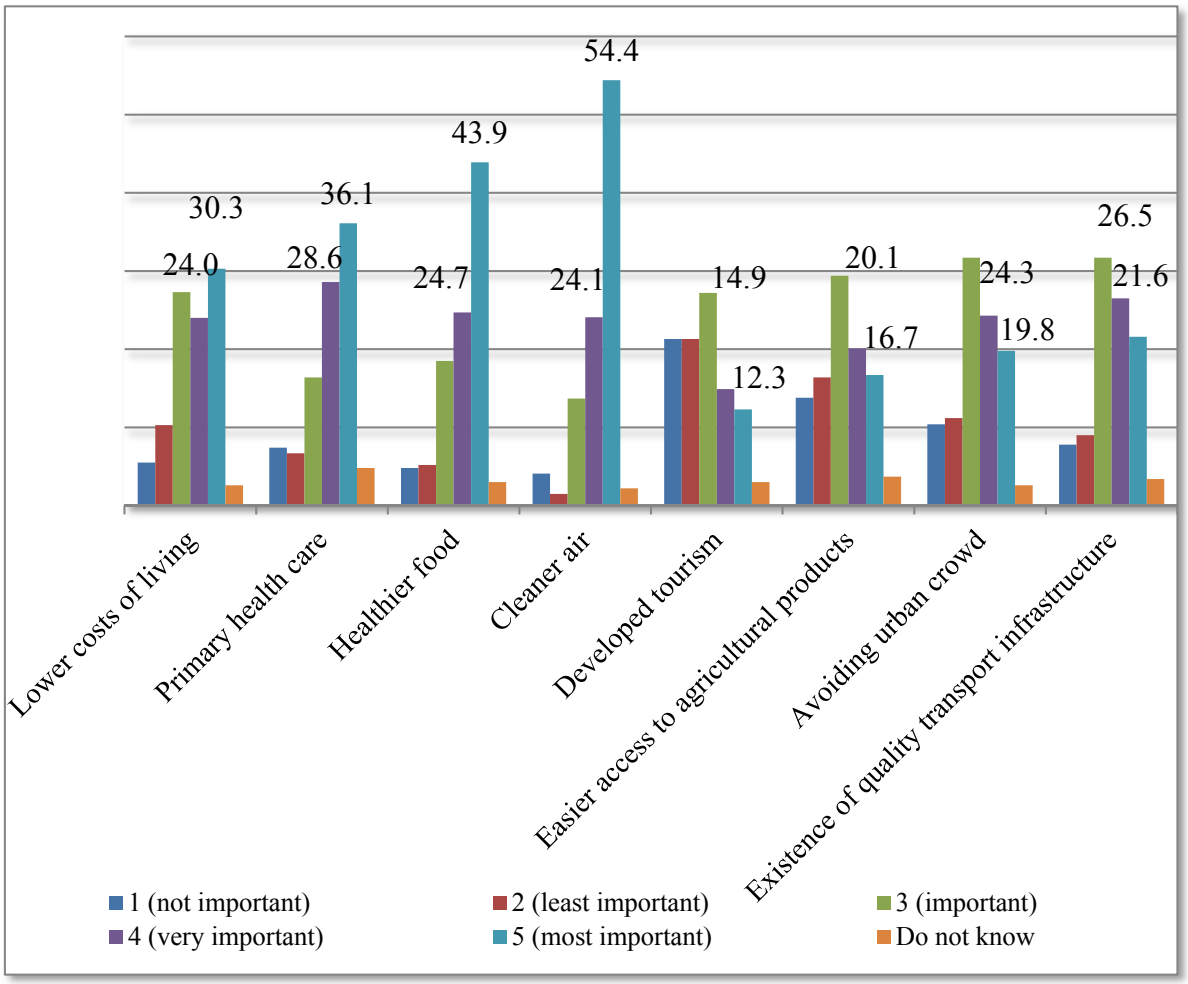
Figure 28. Pull Factors for Respondents to Move to Another City in Macedonia (in %)



Thus, the above stated factors actually represent the most important pillars of one society. Proper incorporation of these factors at the heart of the country can help Macedonia to be

able to develop more healthy economic, social, ethical and environmental terms for all the residents without matter where they live in the country. What has already been well known in the world literature with economic and social themes gets confirmation by the results of this empirical research? It is no coincidence that the factor (Environment with cleaner air) is placed in the top four factors of importance as more and more Macedonia becomes one of the leading countries in Europe with the greatest pollution. The pull factor (Lower costs of living) gained 25.4% which is solid result and explains the fact that respondents prefer the pull factor (Greater income) the most as having greater income would cover the living costs anyway.

Figure 29. Pull Factors for Respondents to Move to a Less Urban Area in Macedonia (in %)



Situation with pull factors that would attract respondents to move to a less urban area in Macedonia is to some extent similar with the results from Figure 28. According to Figure 29, leading pull factors by their importance for the respondents are:

- Cleaner air (54.4%),
- Healthier food (43.9%),

- Primary health care (36.1%) and
- Lower costs of living (30.3%).

Actually, such percentage scale of the factors seems logical because having healthier food means having cleaner air. The fact that cleaner air as a pull factor is on the top of the result scale indicates that respondents are seriously affected by the air pollution in Macedonia during the recent years. One of the preconditions to produce healthier food is to have health environment in terms of air, water and land. Primary health care is understandably important for respondents because often less urban areas lack from such care. Lower living costs are expected to be lower in the less urban areas, so the income level that respondents would have is considered enough to meet these costs. It is worth mentioning that existence of quality transport infrastructure although with a lower score of 21.6%, is equally important for the country to be able to establish conditions for cleaner air, healthier food, primary health care and lower living costs in less urban areas.

Figure 30. Pull Factors for Respondents to Work in a Less Urban Area in Macedonia (in %)

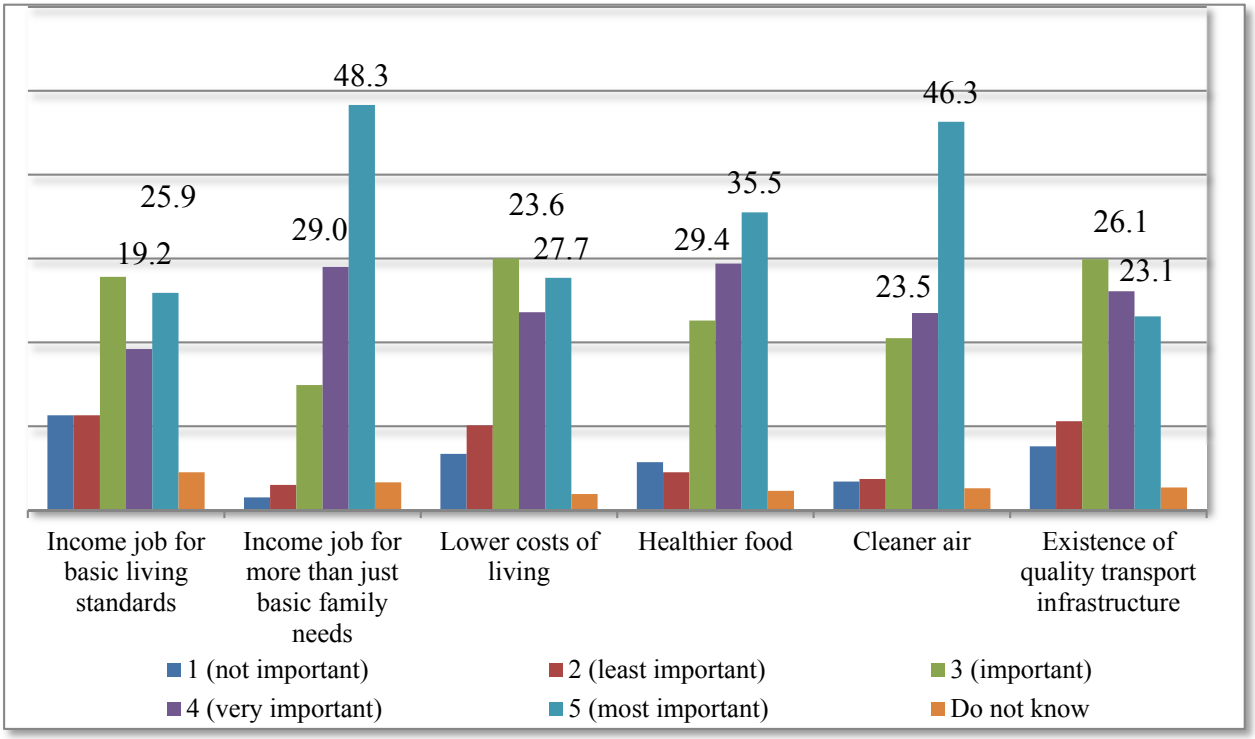


Figure 30 depicts what the most important pull factors are for the respondents that would attract them to move or to work in urban or less urban areas in Macedonia. This figure is an example of the above mentioned giving the following order of the factors that would attract the most respondents to work in a less urban area:

- Income job that would satisfy more than just the basic family needs (48.3%);

- Cleaner air (46.3%),
- Healthier food (35.5%) and
- Lower costs of living (27.7%).

4.2.4 Opinion polls for regional balance

Because rural areas are significant in Macedonia for a balanced development between different regions, all factors for development of rural areas will be listed by priority of importance for the respondents:

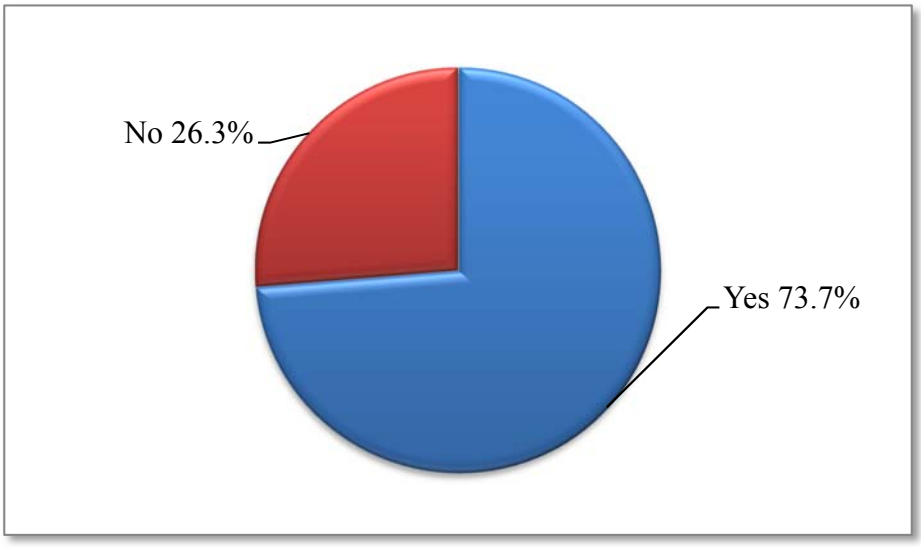
- Solid health care (52.4%),
- Existence of primary school (45.0%),
- Existence of secondary school (42.6%),
- Existence of quality transport infrastructure (41.9%),
- Cheaper use of electricity (34.2%),
- Use of renewable energy sources (33.2%),
- State subsidies for developing agricultural products (26.5%),
- State subsidies for the farmers (26.2%),
- Family entertainment activities (24.2%),
- Tourist attractions (22.6%),
- Revival of their culture and tradition (20.7%) and
- Developing traditional skills (17.9%).

Respondents' opinion regarding this question is significant because the employees as population category in Macedonia are extremely important in the creation of further measures and strategies for regional development balance in the country. Presented results show the need for more extensive involvement of civil society in economic, social and environmental development policies in Macedonia.

4.2.5 Correlation of internal migration with external migration

When it comes to internal migration, not less important segment is the external migration. Internal migration in Macedonia can broadly indicate whether external migration can occur at a larger scale or not. 73.7% of the respondents as presented in Figure 31 said they would move abroad if they had the opportunity.

Figure 31. Would Respondents Live Outside Macedonia? (in %)



According to Table 7, each presented push factor as negative aspect of the country, at the same time is a pull factor as motivator for moving outside Macedonia. These factors have to be taken into serious consideration within the creation of development strategies of the country, especially because respondents are employed category of population that has already been established in various institutions in the country facing with all economic, social, legal and environmental advantages and disadvantages of the system in their everyday living.

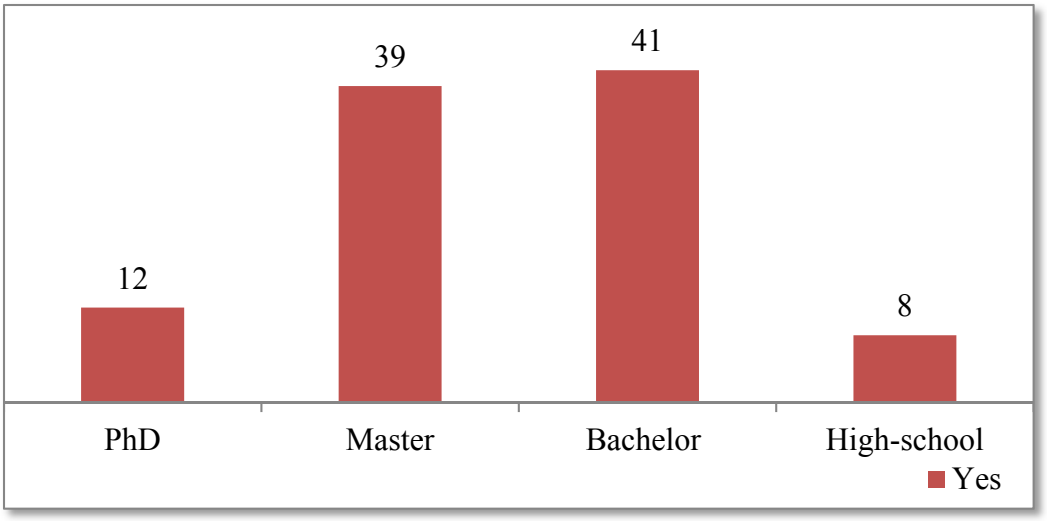
Following Table 7, here there are the most common reasons for decision to move outside Macedonia that can be divided as push and pull factors. Answers of the respondents were obtained in open end questions.

Table 7. Push and Pull Factors for Living Outside Macedonia

Push Factors	**Pull Factors**
Lower living standards	Higher living standards
Poor quality of life	Better quality of life and work
Lower income	Greater income
Low quality of educational system	Better educational system
More and more polluted air	Cleaner air
Uncertain future of the country	Better and secure future
Poor health system	Better health care
Reduced opportunities for kids education	Opportunities to grow professionally and personally out of the country
Poor conditions for business	Better perspective for the whole family
	More possibilities to start own business

Higher percentage of respondents with Bachelor and Master Degree that would move outside Macedonia as shown in Figure 32 might indicate that they would seek for higher incomes and living standards abroad in relation with their educational level. Higher unemployment generates greater demand for jobs that could lower the level of incomes at the labour market below average national level of MKD 22.191 (SSORM, 2016). Thus, employers would hire employees who can accept lower job incomes rather than employees who would demand for high job incomes even with higher education.

Figure 32. Respondents that Would Move Outside Macedonia
by Educational Degree (in %)



5 RECOMMENDATIONS

According to the results from Macedonian statistical research for regional development and empirical research for internal migration in working environment, several general recommendations can be summed up.

Macedonia has got a rate of population growth which is affected by the degree of external migration. Each year, more and more people search their better existence's future outside the country's borders. Although it is a small country, better living conditions in parts of the country that are neglected today should be created in order to break the densely populated urban areas. Urban areas will be healthier in economic and environmental sense, while rural and less rural areas will economically revive after long period of stagnation.

Long term unemployment is a serious threat to economic and social stability of the country, especially when the rate of unemployment in Macedonia is above the average rate of unemployment present in the European Union. The EU should serve as a benchmark for Macedonia for further action by the state towards reducing unemployment. With future

economic balance between rural and urban areas, the unemployment rate should move in declining direction.

Internal migration from rural to urban areas is a serious signal that a misbalance exists among the regions in Macedonia. Skopje Region with the highest GDP and highest level of density population by regions can serve as one additional fact for the aforementioned measures for economic regional development in the country. Encouraging greater economic activity in other Regions besides Skopje Region should attract people to return to their currently less developed areas. Institutions must undertake such economic incentives which will raise the awareness of Macedonian residents that besides Skopje, they can live also in other urban, less urban and rural areas. This may be feasible only under the assumption that less developed regions will exist with all necessary conditions for daily quality living.

Creating economic base in other cities in Macedonia is important for prevention from external migration besides internal migration. External migration exists as a general dissatisfaction of residents from living conditions in Macedonia. Employees from smaller cities usually look for better livelihood in Skopje or abroad which means that over the years these cities would remain with unfavourable demographic structure.

Macedonia has got highly educated and skilled workforce which must not be forgotten by the authorities. The level of personal incomes must be classified according to the level of education and level of expertise. Due to the existence of high unemployment on the labour market in the country, highly educated and skilled employees are often put in position with no opportunity to choose for their level of income (Audretsch, 2002). In order to cut the operating costs of the company, employers very often employ those who would accept to work for lower incomes. In addition to such economic misbalance, employees can easily decide to look for their better perspectives outside Macedonia.

When analysing presented urban and rural pull factors in working environment in Macedonia, authorities must take into consideration that they should enable several conditions: incomes that would satisfy the family needs of employees and cover the living costs, cleaner air that will encourage health food production and better health and educational system for residents to feel safe in the state system of functioning.

According to the previously stated general recommendations, series of policies will follow these recommendations which can greatly contribute for: reducing the gap between urban and rural areas, strengthening the cooperation among the municipalities in the Regions, improvement of the working environment and reducing internal migration in Macedonia.

- **Policy of decentralization**

Republic of Macedonia has developed National Strategy for Agriculture and Rural Development for 4 year period (2014-2020) as a long-term strategic document in the field of rural development and agriculture that is based on implementation of goals, policies and measures towards promotion of development of agricultural and rural areas in the country. This Strategy was preceded by the National Strategy for Agriculture and Rural Development which was established for the period (2007-2013), and was the basis for reintroduction of serious policies for agricultural and rural development in Macedonia (Ministry of Agriculture, Forestry and Water Management, 2014).

The agricultural policies that were implemented in terms of the National Strategy from 2007 to 2013 enabled conditions that gave contribution to stabilization of the previous negative trends when agricultural production was in continuous declining by its volume and value. But, increased competition induced by the liberalization of the trade with agricultural products, as well as the world economic crisis and instable international markets, caused slower progress of the agricultural sector in Macedonia. Macedonian agricultural products are not yet in the position for equal competition with European and world ones because of the production costs and products' characteristics.

The crucial goal of the National Strategy (2014-2020) is further improvement of the competitiveness of the agricultural sector and food industry, and to maintain the development of rural areas with sustainable use of the existing natural resources.

With implementation of the Policy of decentralization, less urbanized and rural areas in Macedonian Regions can be further developed according to their geographical, climate and natural characteristics that possess. For example, certain Region can do best economic performance in growing vegetables or fruits, other Region in food production or production of wine, etc. In order to support these activities, the relationship between the central government and municipal authorities should work on satisfactory higher level. Each municipality in the Regions should be in a position to propose certain quality financial projection to the central government. This proposal should be justified by the municipality with realistic projections for the future economic results and employment of people. Human potential in rural areas can be raised through development of business centres and promotion of local social networking.

- **Policy of capital infrastructure**

One of the goals with high priority for the National Strategy for Agriculture and Rural Development (2014-2020) is to improve the quality of the road network in rural areas. Although till 2014, the government together with the municipalities made several

investments in road infrastructure for its modernization, still, there is a great emergency for more investments in local road infrastructure and improvement of its quality. Investments in the rail transport would also ease the transportation of agricultural products and increase labour mobility among the rural areas. The quality of road transportation has got great impact on the quality of physical and social infrastructure in rural areas. In order to improve the quality life in rural areas and sustain their population, investments in local road infrastructure should be done as soon as possible (Ministry of Agriculture, Forestry and Water Management, 2014).

The most important precondition of the policy of capital infrastructure is existence of capital objects that will contain development of quality roads like:

- Highways for establishing connection with neighbouring countries,
- National roads for establishing connection between municipalities or between urban and less urban and rural areas, and
- Local roads for establishing connection among the smaller centres within the urban and rural areas.

Roads with solid quality structure are necessary to be built for faster export of the agricultural and fruit products taking into account that these products can be easily spoiled which is unacceptable. This road connection will ease the possibility for certain municipality to accomplish its economic development program, and at same time to decrease the internal migration of all less developed areas to the capital town, Skopje.

Capital infrastructure includes the segment of renewable energy sources with building hydro power plants like Chebren and Galishte for example (EVN, official website). Furthermore, those parts or areas in the country where windmills and extraction of solar energy are possible to be established, should be put on the national agenda for rational use of solar energy. Roads and renewable sources must be considered as serious external infrastructural investments that can bring benefits to Macedonia.

Still, the existence of external infrastructure would not be enough for the country to prevent itself from internal migration. Internal migration of young people from rural to urban areas, and more often abroad is in increase due to the quality of living in rural areas is not on satisfactory level. This trend causes serious decrease in the number of working labour force from rural areas. Policies for development of rural areas and capital investments in infrastructure in terms of the National Strategy (2014-2020) should encourage the entrepreneurship in those areas in order to return the young population to live and work in the places where they previously lived (Ministry of Agriculture, 2014).

According to the National Strategy (2014-2020), rural population has got limited access to basic services like educational, health, transport, telecommunication and cultural services.

Although authorities made some improvement in that sphere, still great part of the population there has limited or no access to these type of services. Great road distance between rural and urban areas has also got a negative impact on the availability of these services.

Policy of capital infrastructure can also help in decreasing internal migration. There is a necessity for establishing internal infrastructure in rural and less rural areas. Only Skopje as capital town has got complete internal infrastructure. Internal infrastructure in rural and less rural areas would provide necessary conditions for normal daily living. Thus, several measures can be proposed:

- Construction of kindergartens,
- Construction of schools,
- Construction of clinics or mini hospitals with medical staff,
- Construction of pharmacies,
- Water supply network,
- Sewerage network and
- Paved road.

It is realistic to be expected that in due time the internal migration can be significantly decreased if the authorities will provide minimum needed conditions for normal quality living in rural areas like the above mentioned measures.

- **Policy of rational use of renewable resources**

Renewable resources have highly regarded value around the world. Macedonia has got a chance to add their value in own policy of renewable energy. This type of policy is extremely recommended for agricultural development. For example, for the farmer to be allowed to produce more of its agricultural products, water is needed as a basic resource. To have water means to have certain artificial accumulations. Such accumulation for which the required conditions in the country are fulfilled is named Chebren. This is an artificial accumulation and it can exist like hydropower plant dam with purpose to produce cheap electric energy for the country's needs. The hydropower plants are built with a dam to collect the water (MACEF, godina). Each artificial accumulation can be based on the existence of river. Chebren will be built on Crna Reka situated in the Pelagonia Region. Rivers as a water resource in their nature represent the base for the production of cheap electrical energy. Another artificial accumulation which is already built on the river Treska is named Kozjak situated in the Skopje Region. Kozjak as a hydropower plant with a dam is numbered as bigger capital investment in Macedonia with significance for the whole country. If there are agricultural fields' derivatives near hydropower plants, the same fields can be irrigated with special pumps plants (EVN, official website). Artificial accumulations can also exist on streams or small rivers in areas where there is water flow

in order to drain the water to those areas where crops are grown. These accumulations can be also included as municipal strategy investment.

Southeast Region possesses suitable area for establishing windmills in such quantities that will be enough for production of electricity which will completely cover three municipalities: Bogdanci, Dojran and Gevgelija, but also will support other area of this Region in accomplishing their daily agricultural activities. Taking into consideration the climatic position of Macedonia with many sunny days during the year, electricity production based on solar panels must take strategic part in the country's development path (ELEM, official website).

Macedonia should immediately look for the possibility in building hydropower plants and to strive for other renewable energy sources like establishing windmills and solar panels. With these renewable sources, electricity price will decrease. Today, most of the electricity in Macedonia is produced from coal. By enabling electricity to be produced from renewable energy resources, electricity price will be low enough to allow the farmers to have cheaper products with higher earnings.

- **Policy of developing tourism**

Tourism as one of the sources for economic development and growth of the country has to be taken as a serious issue in the long-term strategy definition in Macedonia. Macedonia has a potential to develop tourism attractive for domestic and foreign tourists in all Regions in the country. In order to benefit from tourism's importance, external capital infrastructure like highways, national and local roads is needed to be built so that domestic and foreign tourists can be respectively attracted. The existence of excellent infrastructure links with roads and railways with the tourist centres like Ohrid, Struga, Mavrovo, Prespa etc. should be one of the major steps in Macedonian strategy for tourism development.

Natural lakes like Ohrid, Prespa or Dojran Lake don't have hydro potential for electricity production, but they can be used for irrigation in the process of food production. What has been long trend in Europe and still is a trend is consuming natural food. This can be solid base for attracting tourists in their guidance tourist program for Macedonia. Natural food can be cooked from agricultural crops on the spot in front of the tourists.

National Development Strategy for Tourism for the period (2009 – 2013) was established with the purpose to improve the tourism development in Macedonia. The authorities in the country have identified the tourism as a priority development sector together with agricultural sector. Tourism sector is seen as a sector that has got solid potential for economic growth and creation of jobs. For this purpose the Agency for Promotion and

Support of Tourism in Macedonia has established (official website). This Agency is responsible for the following tourism sections:

- Marketing promotion of Macedonian tourism in the country and abroad,
- Promotion of high tourism standards,
- Supervision of the safety and quality of tourism facilities,
- Education and skills development programmes,
- Investments and development of tourist services and tourist attractions,
- The role of municipalities for tourism promotion,
- The role of the private sector for tourism promotion and
- Management of annual budgets.

Natural lakes in Macedonia are suitable for tourism development together with the required external infrastructural investments. Cheaper electricity is beneficial for tourist centres because hosts can offer decent prices for the tourists, while at same time will continue to work with profits.

- **Cohesion policy**

In order to improve well-being in the country, to raise employment, income satisfaction, enable sustainable economic and social growth, as well as to obtain overall environmental quality, Macedonia needs this type of Policy as instrument for accomplishing these goals of interest for the state and its residents.

Macedonia can benefit from this Policy in several ways:

- Facilitating the implementation of policy for capital infrastructure,
- Supporting the Policy for use of renewable sources,
- Strengthening the local governance at municipality level,
- Promoting healthier environment with cleaner air and decreased pollution,
- Educational improvement,
- Encouraging business environment for SMEs,
- Support for domestic production,
- Increasing exports of domestic products to foreign markets,
- Promoting and increasing jobs,
- Achieving geographic and regional branding by products and services and
- Technical innovations for quality agricultural production.

In achieving the above mentioned benefits, Macedonia needs to be supported by the EU. It will be much easier if the country is a member of the EU. But, not less important is to strive for quicker approach to the EU so that funding in bigger quantities can be available for their use.

CONCLUSION

As for the Macedonian case for regional development, it can be concluded that the state with its governmental institutions has got the crucial role for implementation of all necessary policies and measures. Not less important, but with low authority for involvement in country's development strategy are non-governmental institutions and civil society. These stakeholders together have to have solid linkage and cooperation with the government when it comes to state issues that are of fundamental importance for the residents.

One of the preconditions for having successful linkage between economic growth and internal migration in terms of urban concentration is the building and making quality in infrastructure. Access to basic public services is necessity for having life quality in rural areas. This aspect is closely connected to certain strategic decisions on national level with building an appropriate and needed infrastructure for satisfaction of the basic and upper levels of people's lives. Although it is usually seen as pretty sensitive area for local authorities because of the time and money that should be invested in building it, at same time they should be aware of its importance not only for local development, but also for regional one. Transforming and advancing the industrial structure of the country, as well as development of social security and high skill management for achieving healthy and sustainable economic and natural environment are the additional elements that complete the picture of an adequate urban planning.

Macedonian authorities have to consider what can be done in direction of decreasing the urban sprawl and urban unemployment. Promotion of rural areas with offering better living and social standards can seriously attract the people who had already migrated to urban areas to decide to get back to their primarily, rural ones. With internal migration, another very valuable dimension is quietly diminishing – rural traditional life and customs that might be emphasized as significant country's symbols in becoming future tourist attraction. Abandoned lands that were induced during the urbanization period represent an environmental treasure that can be transformed in serious tourist attraction, so the country in the future can be easily recognized by the tourists worldwide as a desirable place to be visited.

Macedonian economy cannot bloom without human capital in its building blocks. The attention should be put on taking advantages in direction of decreasing unemployment, income inequality and forced migration among the regions, while at the same time increasing people's wealth in terms of social, economic and environmental health in all regions in the country. Human capital investment is essential source for re-establishing healthy life in rural areas. It does help in creation of competitive advantage of these areas and building their economy strength. People living in the areas must be allowed to have

basic conditions in terms of proper education, training for developing certain skills and opportunities for life learning on long run.

As for internal migration in working environment in Macedonia, employees as population category should be treated respectively from the authorities in terms of enabling personal and family income stability, social security and diminishing the fear of economic insecurity and job loss. All cities with no exception must have living conditions that would meet residents' needs in terms of sufficient incomes that would cover the living costs and satisfy their monthly family purchasing basket. Encouraging internal migration with effect of decreasing urban concentration should be provided by existence of pull urban and rural factors.

In economic terms, human capital is also known as a labour which is measurable like input in production and service function. It's not enough just to have the capital itself, but most important is to be sustained to the level where formal and informal systems of education will be balanced with social and ethical behaviour norms.

Internal migration in Macedonia has got the impact of push factor for occurring external migration. The external migration in Macedonia occurs mostly due to the lack of economic and social stability in the country. Serious improvements in prevention from such migration can be established with continuous effort of the country to get closer to the EU. Not only access to EU funds will be eased with the European membership, but also, economic opportunities that would be created should stop the residents' orientation for movement towards other countries.

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APPENDICES

LIST OF APPENDICES

Appendix A: Migration in Working Environment in Macedonia

1. What is your gender?

- Male
- Female

2. What is your age?

- 18-24 years
- 25-36 years
- 35-44 years
- 45-54 years
- 55+ years

3. What is your place of birth?

- Skopje
- Bitola
- Kumanovo
- Ohrid
- Strumica
- Tetovo
- Veles
- Gostivar
- Prilep
- Kocani
- Kicevo
- Stip
- Kriva Palanka
- Gevgelija
- Radovis
- Probistip
- Vinica
- Other – Write In

4. Where do you currently live?

- Skopje
- Bitola
- Kumanovo
- Ohrid
- Strumica
- Tetovo

- Veles
- Gostivar
- Prilep
- Kocani
- Kicevo
- Stip
- Kriva Palanka
- Gevgelija
- Radovis
- Probistip
- Vinica
- Other – Write In

5. What is your educational degree?

- PhD
- Master
- Bachelor
- High-school

6. Do you work at the same place as where you live?
Note: Someone might live in the place A and work in place B

- Yes
- No

7. What is your company's scope?

- Local
- Regional
- National
- International

8. What is your level of work position in your company?

- Manager
- Senior officer
- Intermediate
- Junior officer
- Entry level
- Other – Write In

9. What is your current monthly income?

- Less than MKD 10.000
- MKD 10.000 – MKD 19.999
- MKD 20.000 – MKD 29.999
- MKD 30.000 – MKD 39.999
- MKD 40.000 – MKD 49.999
- MKD 50.000 – MKD 59.999
- MKD 60.000 +

10. What is your family monthly income?

- Less than MKD 10.000
- MKD 10.000 – MKD 19.999
- MKD 20.000 – MKD 29.999
- MKD 30.000 – MKD 39.999
- MKD 40.000 – MKD 49.999
- MKD 50.000 – MKD 59.999
- MKD 60.000 +

11. If your current place of work differs from the place where you currently live, what were the REASONS you chose to work for the current company (multiple replies are possible)?

- Income earnings
- Work conditions
- Learning new skills
- Upgrading existing skills
- Satisfactory economic status of the family
- Other – Write In

12. What keeps you working for this company (multiple replies are possible)?

- Income earnings
- Job security
- Better social status in the society
- Uncertainty for finding another job in the country
- Investment in employees (human capital)
- Satisfactory economic status of the family
- Other – Write In

13. Would you accept a job that offers low income and high job security?

- Yes
- No

14. Would you accept a job which offers income that is enough to meet your basic living needs?

- Yes
- No

15. To MOVE to another city in the country what would ATTRACT you there? Please, evaluate the importance of each on a following scale:

1 – Not important
2 – Least important
3 – Important
4 – Very important
5 – Most important

	1	**2**	**3**	**4**	**5**	**Do not know**
Greater income	1	2	3	4	5	Do not know
Lower costs of living	1	2	3	4	5	Do not know
Better health care	1	2	3	4	5	Do not know
Better educational system	1	2	3	4	5	Do not know
Better family entertainment	1	2	3	4	5	Do not know
Environment with cleaner air	1	2	3	4	5	Do not know
Environment with developed tourism	1	2	3	4	5	Do not know
Existence of quality transport infrastructure	1	2	3	4	5	Do not know

16. To MOVE to a less urban area in the country what would ATTRACT you there? Please, evaluate the importance of each on a following scale:

1 – Not important
2 – Least important
3 – Important
4 – Very important
5 – Most important

	1	**2**	**3**	**4**	**5**	**Do not know**
Lower costs of living	1	2	3	4	5	Do not know
Primary health care	1	2	3	4	5	Do not know
Healthier food	1	2	3	4	5	Do not know
Cleaner air	1	2	3	4	5	Do not know
Developed tourism	1	2	3	4	5	Do not know
Easier access to agricultural products	1	2	3	4	5	Do not know
Avoiding urban crowd	1	2	3	4	5	Do not know
Existence of quality transport infrastructure	1	2	3	4	5	Do not know

17. To WORK in a less urban area in the country what would ATTRACT you there?
Please, evaluate the importance of each on a following scale:

1 – Not important
2 – Least important
3 – Important
4 – Very important
5 – Most important

	1	2	3	4	5	Do not know
Income job that would satisfy basic living standards	1	2	3	4	5	Do not know
Income job that would satisfy more than just basic family needs	1	2	3	4	5	Do not know
Lower costs of living	1	2	3	4	5	Do not know
Healthier food	1	2	3	4	5	Do not know
Cleaner air	1	2	3	4	5	Do not know
Existence of quality transport infrastructure	1	2	3	4	5	Do not know

18. What do you think would help Macedonian rural areas to be developed?
Please, evaluate the importance of each on a following scale:

1 – Not important
2 – Least important
3 – Important
4 – Very important
5 – Most important

	1	2	3	4	5	Do not know
Existence of primary schools	1	2	3	4	5	Do not know
Existence of secondary schools	1	2	3	4	5	Do not know
Solid health care	1	2	3	4	5	Do not know
Developing traditional skills	1	2	3	4	5	Do not know
State subsidies for the farmers	1	2	3	4	5	Do not know
State subsidies for developing agricultural products	1	2	3	4	5	Do not know
Use of renewable energy sources	1	2	3	4	5	Do not know
Cheaper use of electricity	1	2	3	4	5	Do not know
Existence of quality transport infrastructure	1	2	3	4	5	Do not know
Tourist attractions	1	2	3	4	5	Do not know
Family entertainment activities	1	2	3	4	5	Do not know
Revival of their culture and tradition	1	2	3	4	5	Do not know

19. If you have an opportunity, would you LIVE outside Macedonia?

- Yes
- No

20. If you answered previous question with YES please answer the question WHY?

- Other – Write In

Appendix B: Case Study of Macedonia for Regional Development

1. Population Growth in Macedonia and the EU (annual %)

	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
Macedonia	-0.2	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
EU	0.5	0.4	0.5	0.5	0.3	0.2	0.2	-0.2	0.8	0.0	0.2

2. Population Age Category (15-64) in Macedonia and the EU (% of total)

	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
Macedonia	66.6	68.2	69.7	70.1	70.4	70.6	70.8	70.9	70.9	70.8	70.7
EU	67.7	67.4	66.6	66.5	66.4	66.2	66.0	65.7	65.4	65.1	64.8

3. GDP Per Capita Growth in Macedonia and the EU (annual %)

	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
Macedonia		4.5	6.5	5.5	-0.4	3.4	2.3	-0.5	2.9	3.5	3.7
EU	3.6	3.9	3.1	0.5	-4.5	2.1	1.6	-0.9	-0.3	0.9	1.7

4. Rate of Employment by Age Group (20-64) in Macedonia and the EU (% of total)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Macedonia	43.9	45.0	46.3	47.9	48.1	48.4	48.2	50.3	51.3	51.9
EU	68.9	69.8	70.3	69.0	68.6	68.6	68.4	68.4	69.2	70.1

5. Rate of Unemployment in Macedonia and the EU (% of total)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Macedonia	37.2	37.3	36.0	34.9	33.8	32.2	32.0	31.4	31.0	28.6	27.6	27.3
EU	9.3	9.0	8.2	7.2	7.0	9.0	9.6	9.7	10.5	10.9	10.2	9.4

6. Concentration of People in Urban Areas in Macedonia in 2002 (in %)

	Skopje	Kumanovo	Bitola	Tetovo	Veles	Other cities
Population concentration in urban areas in Macedonia in 2002	23.1	5.0	4.0	3.5	3.0	24.0

7. Population Density by Regions in Macedonia in 2014 (inhabitants / km2)

	Skopje Region	Northeast Region	Polog Region	Pelagonia Region	Southeast Region	Southwest Region	East Region	Vardar Region
Population density by regions	339.7	76.2	132.0	49.1	63.4	65.9	50.2	37.9

8. Total Population by Regions in Macedonia in 2014 (in 000)

	Skopje Region	Northeast Region	Polog Region	Pelagonia Region	Southeast Region	Southwest Region	East Region	Vardar Region
Total population by regions	615.949	176.018	318.995	231.806	173.522	220.134	177.700	153.347

9. Internal Migration from Rural to Urban Areas in Macedonia (in 000)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Internal migration from rural to urban areas	2132	1992	1919	1788	1515	1766	1804	1656	1891

10. Internal Migration from Rural and Urban Areas to Skopje (in 000)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Internal migration to Skopje	4064	3284	2590	1840	1401	1585	2232	2093	2391

11. Rate of Unemployment by Regions in Macedonia (in %)

	2012	2013	2014
Skopje Region	31.3	29.3	29.0
Northeast Region	52.8	44.9	44.0
Polog Region	34.2	33.6	30.7
Pelagonia Region	25.3	22.2	18.7
Southeast Region	13.8	18.8	20.8
Southwest Region	42.3	36.7	36.4
East Region	18.5	19.5	20.1
Vardar Region	35.9	29.8	27.6

12. GDP Per Capita by Regions in Macedonia (in MKD)

	2010	2011	2012
Skopje Region	308.467	319.717	327.989
Northeast Region	118.092	146.047	147.095
Polog Region	107.074	114.113	107.394
Pelagonia Region	226.036	224.485	218.463
Southeast Region	226.550	251.471	252.278
Southwest Region	161.492	174.509	170.493
East Region	210.546	224.455	215.627
Vardar Region	203.102	220.590	236.025

13. Respondents that Would Move Outside Macedonia by Educational Degree (in %)

	PhD	Master	Bachelor	High-school
Yes	12	39	41	8