



HUMAN DEVELOPMENT INDEX IN NORTH MACEDONIA

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Abstract

The degree to which a country is developed is evaluated by taking into account a range of indicators, such as income per capita, life expectancy, education and poverty incidence. This economic development occurs when the economic well-being of the people of a country grows over a longer period of time. The Human Development Index (HDI) is based on three components: a long and healthy life, access to knowledge and a good standard of living. Given the importance of human capital and the importance of one's quality of life in all socio-economic development, more needs to be invested, especially in education, culture, vocational training and health. Involving human capital actively in the development process is the key to success. The purpose of this paper is to highlight the importance of this index, its relation to the economic growth of a country and to compare it with the countries of the region in terms of the level of this index. The Republic of North Macedonia's HDI value for 2017 is 0.757— which put the country in the high human development category—positioning it at 80 out of 189 countries and territories. Between 2000 and 2017, The Republic of North Macedonia's HDI value increased from 0.669 to 0.757, an increase of 13.1 percent. Between 1990 and 2017, The Republic of North Macedonia's life expectancy at birth increased by 4.7 years, mean years of schooling increased by 3.1 years and expected years of schooling increased by 3.0 years.

Keywords: HDI, Economic Growth, Economic Development, North Macedonia



INTRODUCTION

Human development is a broad concept, which includes all areas of social-human life. A human development implies a healthy life as long as possible, access to education, which allows attractive and well paid employment, access to a diverse range of goods and services. Other aspects of human development require political freedom and respect for human rights, respect towards the man, what A. Smith called 'the ability to communicate with others and to get out in the streets without feeling a sense of shame'. As a last resort, human development is the development of people, for people and by people.

According to A. Sen, as quoted by Economicsonline (n.d.), development is about creating freedom for people and removing obstacles to greater freedom. Greater freedom enables people to choose their own destiny. Obstacles to freedom, and hence to development, include poverty, lack of economic opportunities, corruption, poor governance, lack of education and lack of health.

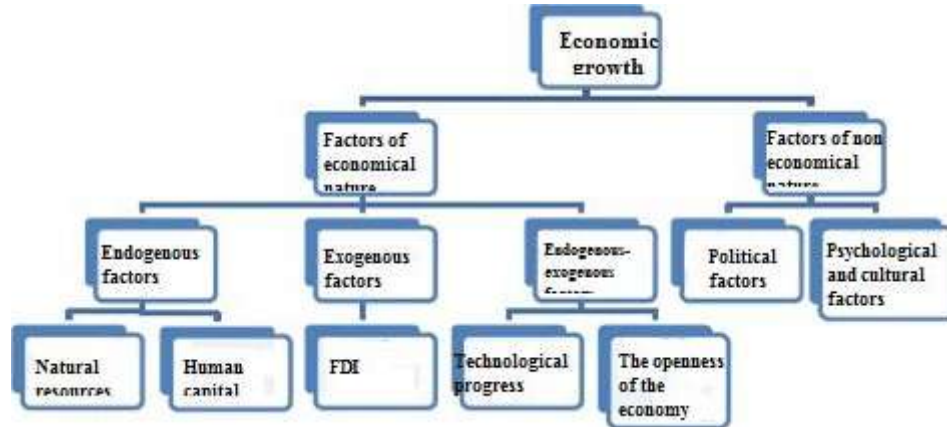
Economic growth, which make an important contribution to human development, can be simultaneous or priority. Therefore, traditional political measures, which argue that improving human development should wait until economic growth permits, seem to be an error. By the late 1980s, however, the central issue of development had focused on increasing incomes rather than enhancing the quality of life. Therefore, these strategies should be more focused on finding ways to improve the well-being of individuals, since no development would make sense without human development.

LITERATURE REVIEW

The phenomenon of economic growth is identified as being the most powerful engine that can generate long-term growth of the standard of living. The process of economic growth is considered to be extremely complex, influenced by a variety of institutional, policies, social and cultural factors.

In comparison with the literature which is studying the concept of human development from the perspective of a positive effect of growth, specific literature presents an extensive classification of these factors, the contribution of each of them being supported by strong arguments.

Figure 1. Determinant factors of economic growth



Source: Mihaș Ioana Sorina, (2013), Growth and convergence criteria in the emerging economies of Central and Eastern Europe, doctoral thesis, Cluj-Napoca, p. 19.

In literature, a number of authors (Ranis, Stewart and Ramirez, 2000; Schultz, 2005) as well as the Human Development Reports of the United Nations Development Programme, have tried to analyze both the effect of human development on economic growth and also feedback on the economic growth of a higher level of human development, with special emphasis on the role that income it has in getting a better human development.

Ramirez et al. (1998) exploring connections between economic growth and human development, identifying two directions, one of the economic growth to human development and the other, in the opposite direction, from human development toward economic growth, they found that there is a strong positive relationship in both directions, and public spending on social services and education are important connections that determines the relationship between economic growth and human development, while investment rate and income distribution connections are important to determine the relationship between human development and economic growth.

We can argue that human development can be defined as a process of expanding people's opportunities to choose. According to the new paradigm, human development can be regarded as a *process of expanding the real freedoms* enjoyed by the people (Sen, 2004). 'The focus on freedoms people contrasts with the more limited visions about development, such as identifying the development with the growth of gross national product, with an increase in personal income or with social modernization. The increase of GNP or individual income can be, of course, important as a means of extending the freedom for people, in the same way as extensive industrialization, technological progress or social modernization. One of the many ways of measuring human development which has enjoyed great success is that proposed by

UNDP, (United Nations Development Programme), namely, the calculation of the Human Development Indicator (HDI) to highlight the evolution of living standards. It includes a three-dimensional approach covering landmarks such as life expectancy, literacy and per capita real GDP. Highlighting developments in the three areas is due to associated indicators, namely life expectancy index, education index and GDP index. Education index is composed by aggregation of two parts: adult literacy and school enrolment level of the three levels of education. For each of the two is determined by an index. Combining the two indices is based on a two-thirds share index for adult literacy and one-third to the coverage rate in education. GDP index includes GDP per capita in purchasing power parity. HDI (human development index) is calculated as a simple average of these three indices, its values indicating the degree of development in reverse.

HDI IN NORTHERN MACEDONIA AND SOME COUNTRIES IN THE REGION

The Republic of North Macedonia's HDI value for 2017 is 0.757— which put the country in the high human development category—positioning it at 80 out of 189 countries and territories, which is higher than the countries in the region, as we see in the table.

The rank is shared with Azerbaijan and Lebanon. Between 2000 and 2017, The Republic of North Macedonia's HDI value increased from 0.669 to 0.757, an increase of 13.1 percent. Between 1990 and 2017, The Republic of North Macedonia's life expectancy at birth increased by 4.7 years, mean years of schooling increased by 3.1 years and expected years of schooling increased by 3.0 years. The Republic of North Macedonia's GNI per capita increased by about 31.3 percent between 1990 and 2017.

Table 1. The Republic of North Macedonia's HDI and component indicators for 2017 relative to selected countries and groups

	HDI value	HDI rank	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (PPP US\$)
Republic of North Macedonia	0.757	80	75.9	13.3	9.6	12,505
B&H	0.768	77	77.1	14.2	9.7	11,716
Albania	0.785	68	78.5	14.8	10	11,886
Serbia	0.787	67	75.3	14.6	11.1	13,019
Europe and Central Asia	0.771	-	73.4	14.1	10.3	15,331
High HDI	0.757	-	76	14.1	8.2	14,999
Very high HDI	0.894	-	79.5	16.4	12.2	40,041

Source: Human Development Indices and Indicators: 2018 Statistical Update, UNDP report 2018.

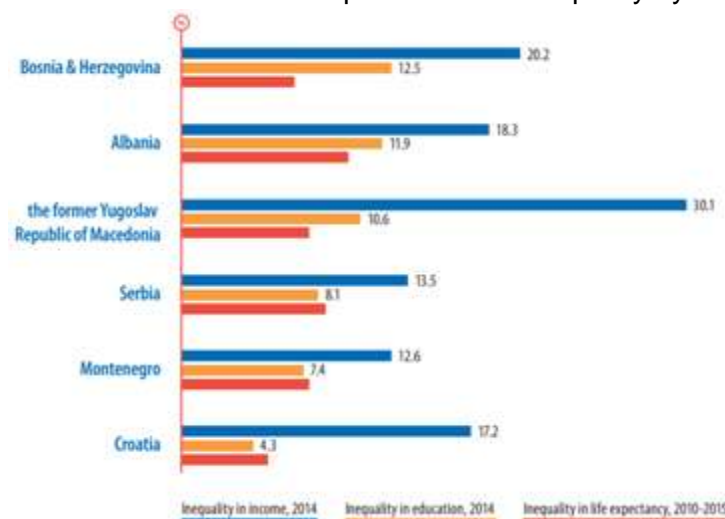
The human development progress, as measured by the HDI, can usefully be compared to other countries. For instance, during the period between 2000 and 2017 The Republic of North Macedonia, Albania, B&H and Serbia experienced different degrees of progress toward increasing their HDIs.

The Republic of North Macedonia's 2017 HDI of 0.757 is the same as the average of 0.757 for countries in the high human development group and below the average of 0.771 for countries in Europe and Central Asia. The Republic of North Macedonia's HDI for 2017 is 0.757. However, when the value is discounted for inequality, the HDI falls to 0.661, a loss of 12.6 percent due to inequality in the distribution of the HDI dimension indices. The average loss due to inequality for high HDI countries is 16.0 percent and for Europe and Central Asia it is 11.7 percent. The Human inequality coefficient for The Republic of North Macedonia is equal to 12.4 percent.

Inequalities in the Western Balkans The Gini Index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini coefficient of zero expresses perfect equality, where all values are the same, for example, where everyone has the same income. A Gini coefficient of one expresses maximal inequality among values.

As shown in the table below, inequality is highest in the North Macedonia. The inequality values indicate high inequality, but not as high as, for example, in the USA and UK, whose Gini is over the value 0.45. The gender dimension is prominent with HDI with values for females consistently lower than the corresponding values for males. The gender disaggregated HDI tells a story of gender inequality, which is most pronounced in Albania, North Macedonia and Montenegro.

Figure 2. Losses in human development due to inequality by dimension



Source: UNDP Human Development Report 2015

The biggest loss in sustainable human development in the Western Balkans is due to income inequalities (measured as a ratio of 10 % most rich to 10 % most poor) that are most prominent in the North Macedonia and Croatia. Inequalities in education are the second biggest loss in Bosnia and Herzegovina and Albania.

Regarding economic growth in the Republic of North Macedonia, after the global crisis it began to recover in 2012 but with a very slow growth rate. According to the preliminary data of the State Statistical Office, obtained from the annual reports of business entities and other sources, the gross domestic product (GDP) in 2017 was 616 600 million denars and in comparison with 2016 it increased by 3.7% in nominal terms. The real GDP growth rate in 2017, compared to 2016, was 0.2%.

In 2018, economic growth in the Western Balkans reached 3.8 percent, supported by increased public spending, and in Albania and North Macedonia by a rise in net exports. Growth is projected to average 3.7 percent for 2019–20, faster than the EU and similar to the average for Central and Eastern Europe (CEE). Growth will differ by country, accelerating in Bosnia and Herzegovina, Kosovo, and North Macedonia, while decelerating in Albania, Montenegro, and Serbia.

CONCLUSION

Economic development is a broader concept than economic growth. Development reflects social and economic progress and requires economic growth. Growth is a vital and necessary condition for development, but it is not a sufficient condition as it cannot guarantee development. Economic growth is focused exclusively on the extent of a single possibility, to obtain revenue, but human development implies the consolidation of all the possibilities - whether economic, social, cultural or political, so that income is a means for human development, but not the only one.

Always a powerful economy is based on a powerful society, especially when we are talking about developing countries. Human development index is an innovative construction, mostly arbitrary, but interesting, and with the passage of time has proved particularly useful for disseminated information, analysis and possible guidelines for public policies at global and national level. It is an innovative construction because the only connection that is made with the past is sending at the idea of human good.

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Whereas in terms of economic growth, although there is a recovery and a slight increase, there is still insufficient growth for overall economic development, especially for human development.

An important feature of human development reveals the fact that socio-economic development is developed by humans and therefore human potential based on investment in human capital, namely in the fields of education, culture, vocational training and health, must be created and perfected. Their activity and involvement in the development process is the key to success. For this reason, government authorities should also consider human development measures in addition to policies and measures for economic growth.

This study is a starting point to analyze in the future in more detail HDI in the Republic of Macedonia for a longer period of time and using econometric models to derive more accurate parameters regarding the impact of this index on the economic development of country.

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