

**POLICIES FOR
HUMAN
CAPITAL
DEVELOPMENT**

**NORTH
MACEDONIA**

AN ETF **TORINO PROCESS**
ASSESSMENT

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PREAMBLE

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of the country's human capital development issues and VET policy responses in a lifelong learning perspective. It identifies challenges related to education and training policy and practice that hinder the development and use of human capital. It takes stock of these challenges and puts forward recommendations on possible solutions to address them.

These assessments are a key deliverable of the Torino Process, an initiative launched by the ETF in 2010 aimed at providing a periodic review of vocational education and training (VET) systems in the wider context of human capital development and inclusive economic growth. In providing a high-quality assessment of VET policy from a lifelong learning perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.

Human capital, in this context, is understood as knowledge, skills, talents and abilities that further people's economic, social and personal development.

The purpose of the assessments is to provide a reliable source of information for planning and monitoring national education and training policies for human capital development, as well as for programming and policy dialogue in support of these policies by the European Union and other donors.

The ETF assessments rely on evidence from the countries collected through a standardised reporting template (national reporting framework – NRF) through a participatory process involving a wide variety of actors with a high degree of ownership by the country. The findings and recommendations of the ETF assessment have been shared and discussed with national authorities and beneficiaries. However, the ETF takes full responsibility for the assessment and for any errors and omissions in it.

The assessment report starts with a brief description of North Macedonia's strategic plans and national policy priorities (Chapter 1). It then presents an overview of issues related to the development and use of human capital in the country (Chapter 2), before moving on to an in-depth discussion of problems in this area, which in the view of the ETF require immediate attention (Chapter 3). Chapter 4 provides the overall conclusions of the analysis.

The annexes provide additional information: a summary of the recommendations in the report (Annex 1), an overview of the education and training system of North Macedonia (Annex 2), and a list of follow-up actions agreed upon by national stakeholders during the dissemination event (Annex 3). The National Torino Process Report compiled by the country itself can be found here:

<https://europa.eu/!qb77hT>.

CONTENTS

PREAMBLE	3
EXECUTIVE SUMMARY	5
Context	5
Summary of findings on human capital	5
Recommendations for action	8
1. INTRODUCTION	10
1.1 About this assessment	10
1.2 Country overview	10
1.3 Strategic context	11
2. HUMAN CAPITAL: DEVELOPMENTS AND CHALLENGES	13
2.1 Overview and key data	13
2.2 Low quality of education holds back the development of human capital	14
2.3 Demand for human capital is volatile	15
2.4 Disparities in demand for human capital reinforce inequality	16
2.5 Capacity limitations related to evidence lead to inefficient use of human capital	18
3. ASSESSMENT OF KEY ISSUES AND POLICY RESPONSES	18
3.1 Low educational attainment of the working age population	19
3.2 Persistent youth unemployment	35
4. CONCLUSION	46
REFERENCES	48
ANNEX 1. SUMMARY OF RECOMMENDATIONS	51
ANNEX 2. THE EDUCATION AND TRAINING SYSTEM OF NORTH MACEDONIA	52
ANNEX 3. FOLLOW-UP ACTIONS: SUMMARY OF STAKEHOLDER DISCUSSIONS	54
ACRONYMS	57

EXECUTIVE SUMMARY

Context

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of the country's human capital development issues and VET policy responses in a lifelong learning perspective. It is based on evidence provided in North Macedonia's National Torino Process Report compiled in 2018 using a standardised questionnaire (National Reporting Framework – NRF) and additional information sources, where relevant.

This report comes at an important time in the strategic development of the country. The resolution of the naming dispute with Greece removes a significant obstacle to opening negotiations with the European Union (EU). EU membership is the main driver of reform in North Macedonia, which also pursues a number of complementary strategic goals, such as the integration of the country in the regional economic area (REA) of the Western Balkans, the development and cross-border use of digital skills, and the promotion of mobility of professionals, students, and academics.

North Macedonia is also about to enter the next multiannual cycle of reform implementation. This includes preparation for EU support through the Instrument for Pre-accession Assistance (IPA) in 2021-27. In this context, the assessment is expected to provide a reliable source of information for the prioritisation of reforms and the design of actions by providing input to the EU and national policymakers in the area of education and training. The findings complement those presented during the monitoring of the Economic Reform Programme, but from the point of view of the education and training sector.

North Macedonia is also committed to a number of joint regional priorities in the South East Europe 2020 Strategy, which include interventions in areas such as trade, investment, digitalisation of the economy, labour force mobility, the development of a Regional Investment Reform Agenda and of a Digital Agenda.

Education and training have a major role in the realisation of these ambitions and in preparing the country for the associated changes. However, there are also a number of challenges to human capital development and use, as described below. If left unattended, they may limit the potential of these strategic opportunities.

Summary of findings on human capital

The government of North Macedonia is committed to promoting economic growth, creating new jobs, and raising the standard of living of all its citizens. European Union membership is at the heart of an ambitious package of reforms. Education and training are expected to contribute by supporting transition to a more productive economy that makes the most of the potential of digital technologies and builds on regionally and globally competitive domestic companies.

North Macedonia has a good track record of economic improvement, but this assessment finds a number of challenges concerning human capital development and use that may jeopardise further progress and the sustainability of reform achievements to date. The challenges include low quality of education, volatility and disparity of demand for human capital, data limitations leading to inefficient use of human capital, low educational attainment of the working age population, and persistent youth unemployment. Educational attainment and youth unemployment are analysed in detail (Chapter 3)

as major impediments to progress towards North Macedonia's strategic priorities of stability, competitiveness and inclusive economic growth.

Low quality education holds back human capital development

Most strategic documents¹ mapping out the development trajectory of North Macedonia count on education and training as a future-oriented driver of human capital development, but as a means of remedying the shortcomings of past policies that have led to the exclusion of large segments of the population from the benefits of decent work.

However, the national Torino Process report is rich in information about long-standing structural and policy-related weaknesses in education and VET in particular that may complicate the pursuit of these commendable goals and diminish their prospects of success. Examples include sub-standard teaching and learning environments, limited professional development opportunities and incentives for teachers and school leaders, outdated study programmes, etc. The combined effect of these challenges is an education and training system that does not deliver on expectations, limits the employability of graduates², and compromises the competitiveness and innovation potential of the nation.

The relevance of education and training is affected by volatile demand for human capital

Over the past few years, the government's economic policies have aimed at job creation and demand for human capital. Employment programmes and fiscal and investment stimuli have shifted the profile of job opportunities away from low-skilled jobs towards employment requiring higher and medium-level skills and have boosted demand in some, but not all, key sectors of the economy. However, economic growth and the associated employment gains are fuelled by public subsidies, which may put strain on public budgets and lead to fiscal difficulties and a reassessment of policy commitments. In turn, this reshapes or even stalls demand for human capital in key sectors at short notice, rendering obsolete the longer-term policy planning of authorities and the education and training choices of prospective workers.

Disparities in demand for human capital reinforce inequality

The ETF assessment establishes that there are large disparities in the distribution of demand for human capital across regions of the country and sectors of the economy, some of which are booming while many more are stagnating or even declining in terms of opportunities for work. This may affect the well-being and employment outlook of certain segments of the population, and it has a considerable impact on the chances for well-being and prosperity of people from vulnerable socioeconomic backgrounds, from smaller urban and rural areas and, as noted before, of young people. Social and economic disadvantage seems to be the reality for many people of working age and/or who are potential beneficiaries of VET, which in turn has an impact on their education choices and chances of employment.

¹ According to the NRF, the overarching strategic framework for education and VET development is ensured by the Employment and Social Reform Programme (Ministry of Labour and Social Policy, 2016) and the Economic Reform Programme (Ministry of Finance, 2018). For the formulation of its vision for economic and social development, North Macedonia relies on sectoral strategies, which in the area of human capital development include the Education Strategy for 2018–2025 (MESRM, 2018), the Employment Strategy 2016–2020 (Ministry of Labour and Social Policy, 2015), and the Youth Employment Action Document 2016–2020 (Ministry of Labour and Social Policy, 2015b). Additional strategic documents have been developed to address adult education, i.e. Adult Education Strategy 2017–2020 and Lifelong Learning Strategy 2017–2020.

² NRF C.1.1.

Low educational attainment of the working age population

The ETF analysis in this assessment establishes that educational attainment is a strong predictor of long-term unemployment and economic inactivity, especially among young people. In 2017, some 56% of the population of working age in North Macedonia was unemployed or inactive. Four out of five jobless people with basic or no education were also long-term unemployed, and those with basic or no education accounted for well over half the inactive population in the country. Overall, a quarter of unemployed people had incomplete basic or no formal education in that year. The national report notes that these people are also the most exposed to poverty and exclusion.

Conscious of the urgent need for change, the authorities of North Macedonia have traditionally prioritised the growth of educational attainment of the working age population. As a form of long-term remedy, secondary education and VET were subject to a range of reform measures including becoming compulsory in 2008. In that year, North Macedonia also singled out the promotion of lifelong learning (LLL) and adult education and training (AET) as a primary response to the long-standing challenge of underdeveloped human capital.

Although these priorities are highly relevant, the assessment finds that the policy interventions in both the formal and the AET segments of human capital development are not as effective or coherent as they could or should be. The introduction of compulsory secondary education, for example, was not accompanied by support measures for teachers. This has in turn had a significant impact on internal quality assurance, leading stakeholders to distrust information about the achievement of students. At the same time, less educated and socially disadvantaged adults are practically excluded from opportunities to upgrade their skills and knowledge through AET, for structural and content-related reasons.

Education and training as a factor contributing to youth unemployment

North Macedonia, like many countries in South Eastern Europe, and indeed other regions of the world, struggles with youth unemployment. The assessment finds several very important areas in which policy decisions need to be made: youth unemployment is persistent, acute (the rate of unemployment is much higher than in other countries in the region) and, at the time of this assessment, does not appear to respond to the education and training young people receive. Between 2010 and 2017 an average of 51.3% of young people in the country were unemployed, and the gap in unemployment between adults and young people has widened since 2010 with young people more than twice as likely to be unemployed as adults. Remarkably, unemployment in North Macedonia appears to disproportionately affect the younger working age cohorts, who happen also to be better educated than older workers.

The analysis establishes that a secondary education degree (general or VET) is a strong predictor of difficulties with employability across age groups, stronger than a higher education qualification or low educational attainment, which in turn suggests that VET may be failing in at least one aspect of its public mission, namely to ensure that young people are employable and ready for a professional future. In other words, youth unemployment in North Macedonia is not only a labour market challenge, but also an educational challenge, which can be addressed through improvements in education and training.

The government of North Macedonia has focused discussion about solutions to this issue mainly on remedial measures to support secondary school and higher education graduates, for example through a wide-reaching youth guarantee programme. However, there has been little talk of preemptive measures to reinforce the employability of young people still in formal education. There are shortcomings throughout the education and training system that limit the capacity of formal education

to combat youth unemployment in North Macedonia. As far as VET is concerned, these include low responsiveness to external demand, weak management of human resources, limited career guidance for students, and biased classroom assessment.

Recommendations for action

The ETF assessment sets out seven recommendations for improvements in formal schooling/training and adult education that can help address the two key human capital challenges discussed in the report: low educational attainment and persistent youth unemployment (See Annex 1 for a complete overview).

Addressing low educational attainment

To address the challenge of low educational attainment more effectively, the ETF recommends actions in both formal education and beyond formal schooling.

Improve the reliability and accuracy of classroom assessment

In formal education, the authorities should revise the current permissive approach to grading and improve the reliability and accuracy of quality assurance and specifically of classroom assessment in VET, which currently fuels distrust in the learning outcomes of graduates. This should include measures to support teachers, including new opportunities and incentives for professional development in this area.

Ensure that adult education supports the strategic priorities of the country

Beyond formal education, the ETF recommends aligning adult education and training (AET) provision with the strategic priorities of the country to raise the level of education and skills of adults. This should include strengthening the involvement of the public education sector in AET to ensure that at least some AET is aligned with key strategic priorities concerning human capital development.

Reinforce the quality and transparency of private provision of adult education

The ETF recommends a stronger, more coordinated approach to the regulation of private providers, for instance by introducing baseline criteria for institutions (public and private) that wish to become providers, and upgrading verification mechanisms to create a system of licensing and external quality assurance for AET. This should include strengthening institutional capacity for the coordination of AET. The ETF also recommends devising incentives for private providers who serve the public interest.

Capitalise on the existing knowledge and skills of the population by stepping up work on the recognition of informal and non-formal learning

Informal and non-formal learning is the predominant form of adult learning for those with low educational attainment in North Macedonia. In an effort to capitalise on the existing knowledge and skills of this segment of the working age population, the authorities have started work on a system for the validation of non-formal and informal learning. At the time of this assessment, this has become a priority for the National Education Strategy and the reform of the qualifications system. This is a positive development and a recommendation, which the ETF assessment fully backs.

Addressing persistently high youth unemployment

Prioritise pre-emptive action to combat youth unemployment

North Macedonia is committed to numerous actions that aim to improve education and training, quite a few of which refer to employability as their strategic goal. The challenge is that the sheer number of priorities and actions appears overwhelming against the backdrop of the financial and human

resources available. The ETF thus recommends prioritising preemptive actions in formal education, which international experience shows can be effective in preventing youth unemployment.

Improve career guidance where it is underdeveloped

The measures described above should go along with improvements in career guidance in schools, which at the time of writing do not rely on labour market evidence, are limited in coverage, and do not focus on future growth sectors, such as information and communications technology and the digital economy.

Improve the responsiveness of VET by improving quality and involving stakeholders

This assessment reveals a number of structural problems, which reduce the quality of provision and learning in VET and its responsiveness to labour market needs. These include sub-standard teaching and learning conditions and low quality provision, as well as limited exposure of students and teachers to the world of work, which in turn limits the responsiveness of the sector to the demands of employers.

To address these shortcomings, the ETF assessment recommends a package of measures. These include opening VET up to the world of work, improving the quality of provision and removing barriers to involving employers and raising capacity throughout the system to organise work-based learning, internships, or employer involvement in developing the qualifications system. Currently there is a lack of incentives for employers and numerous open questions concerning the practical implementation of participation.

An important part of this package of measures should be to advance work on the national qualifications framework as a major instrument for establishing solid connections between education, training and the labour market.

The assessment also suggests opening more flexible pathways into teaching for practitioners from the world of work.

1. INTRODUCTION

1.1 About this assessment

The government of North Macedonia has committed to promoting economic growth, creating new jobs, and ensuring a higher standard of living for all its citizens. European Union membership is at the heart of an ambitious package of reforms, to which education and training are expected to contribute by supporting a transition to a more productive economy that makes the most of the potential of digital technologies and builds on regionally and globally competitive domestic companies.

This ETF assessment comes at an important point as the country prepares for the next multiannual cycle of reform implementation along the lines of these priorities, which includes preparation for EU support through the next generation of the Instrument for Pre-accession Assistance (IPA) in 2021-2027. The report is expected to help with the prioritisation of reforms and the design of actions by providing input to policymakers in the domain of education and training. The assessment findings complement the monitoring of the Economic Reform Programme from a sector point of view.

The assessment process included an extensive phase of desk research based on responses to a standardised questionnaire, the National Reporting Framework (NRF), and the preparation of an issues paper with an overview of themes to be discussed in the present report, which were then finalised in consultation with the ETF country and thematic teams responsible for North Macedonia. An advanced draft of the ETF assessment was circulated to national stakeholders and international partners and discussed at a consultation meeting in Skopje in March 2019 to verify the findings and recommendations (see Annex 3 for further details).

Like other ETF assessments, this paper is not meant to be exhaustive. The national report of North Macedonia covers a broad selection of problems around human capital development and use, while the focus here is on challenges which the ETF recommends addressing as a matter of priority.

1.2 Country overview

With just over two million inhabitants (2017), North Macedonia is one of the smallest ETF partner countries. Roughly half of its population lives in the capital, Skopje, and in 2017, young people accounted for only 16% of the working age population, part of a continuing downward trend (Table 1).

Since its independence in 1991, North Macedonia has chosen the path of long-term economic reforms towards a market economy with mixed results. The economy has been growing steadily in recent years (Table 1) and in 2017, adjusted per capita income was the second highest in the region (after Montenegro). However, long-standing weaknesses remain, such as a large informal sector and weak contract enforcement, as well as a potentially volatile political environment, which may affect public consumption, investor confidence³, and macroeconomic stability (European Commission, 2018a).

The period from 2015 to 2017 in particular was a time of considerable political instability, which took its toll and led to a recession in 2016 and 2017. In June 2017, a new government was sworn in.

3 NRF A.3.1.

TABLE 1. SELECTED COUNTRY CONTEXT INDICATORS, NORTH MACEDONIA (2013–2017)

Indicator	2013	2014	2015	2016	2017
Gross Domestic Product (GDP) per capita, purchasing power parity (current international \$)	12 656	13 370	13 766	14 731	15 231
GDP, real growth rate (%)	2.9	3.6	3.9	2.9	-
Foreign direct investment, net inflows (as % of GDP)	3.7	0.5	3.0	5.1	3.8
Population	2 062 294	2 065 769	2 069 172	2 071 278	2 073 702
Youth population (15–24), as % of the working age population	18.3	18.1	17.3	16.9	16.4
Unemployment rate (as % of those aged 15–64)	29.0	28.0	26.1	23.7	22.4
Activity rate (as % of those aged 20–64)	70.4	70.8	70.2	69.6	70.3
Enrolment in VET, as % of total upper secondary enrolment	59.4	59.3	59.8	59.3	59.6
Share of young people (15–24) not in employment, education or training	24.2	25.2	24.7	24.3	24.9

Source: ETF database.

Regardless of the turbulence, the central economic policy priorities in North Macedonia have remained unchanged: economic prosperity through exports. To stimulate export growth, the national authorities have kept a commitment to several pillars of economic development, most of which have implications for the world of work and the demand for skills. These pillars include fiscal stability, ensured by pegging the national currency (Macedonian denar – MKD) to the euro (which over time has led to relatively prudent fiscal policies and a low budget deficit and level of public debt); attracting foreign direct investment through incentives such as tax exemptions, grants, aid for training of employees and the creation of free trade zones (technological industrial development zones); public infrastructure spending to support the domestic private sector; and efforts to boost employment through active labour market policies (ALMPs) and employer subsidies (European Commission, 2018a)⁴.

The proactive labour market policies, public spending and employment stimuli provided to foreign investors have led to sustained creation of jobs and demand for skills, and to an increase in employment of almost 5% since 2013⁵. In 2017 (the last year for which there is data) average unemployment was at a historic low of 22% (Table 1), while per capita GDP grew by 65% since 2007. However, massive regional disparities remain in terms of economic development and labour market participation⁶, and between regions and the capital, which in 2017 generated over 40% of national GDP. The lack of jobs has hit rural areas and the provinces particularly hard. The population there has low educational attainment and few (if any) prospect of finding a job⁷, which in turn fuels internal migration towards urban centres, to the detriment of local economies and societies.

1.3 Strategic context

North Macedonia is committed to creating new jobs and a higher standard of living for all its citizens, no matter where they live (Government of Macedonia, 2016). The country also has plans, funds and

4 NRF A.3.1.

5 ETF database and NRF B.1.1.

6 NRF B.1.1.

7 NRF A.3.4.

efforts aimed at supporting a transition to a more productive economy in which domestic companies embrace the advantages of digital technology to become globally competitive (Ministry of Finance, 2018). In the context of advanced decentralisation, social partners and the local level of administration are expected to bear a substantial share of the burden of implementation.

European Union (EU) membership is the main pathway motivating reforms towards achieving these strategic goals. North Macedonia concluded its Stabilisation and Association Agreement in 2001 and was awarded EU candidate status in 2005. In 2006, it introduced a National Programme for the Adoption of the Acquis, which is revised and updated every year based on annual progress reports of the European Commission, as well as with priorities derived from the Accession Partnership Agreement adopted in 2008. EU accession negotiations are due to be opened in June 2019.

A major complementary priority is the participation of North Macedonia in the establishment of a regional economic area in the Western Balkans, which envisages actions such as the development and cross-border use of digital skills, as well as the promotion of mobility of professionals, students, and academics (Regional Cooperation Council, 2017). Beyond that, countries of the region have identified common priorities in the South East Europe 2020 Strategy that mirrors the Europe 2020 strategy of the European Union and includes priority interventions in areas such as trade, investment, digitalisation and mobility of labour force, and the development of a Regional Investment Reform Agenda and a Digital Agenda (ETF, 2019c).

Education and training have a major role in the realisation of EU approximation and accession priorities, and in preparing the country with the associated opportunities, such as adapting the workforce to new requirements regarding production standards, trade arrangements, and movement of goods and services. The majority of activities to achieve this depend on donor funding⁸, most of which is provided by the World Bank and the EU through the Instrument for Pre-Accession Assistance⁹.

This report comes at an important point in the strategic development of the country. The resolution of the naming dispute with Greece cleared the way for the opening of negotiations with the European Union (EU). In addition, at the time of completion of this report North Macedonia was also preparing for the next multiannual cycle of reform implementation, which includes preparation for EU support through the Instrument for Pre-accession Assistance (IPA) in 2021-2027.

In this context, the assessment is expected to help with the prioritisation of reforms and the design of actions by providing input to the EU and national policy-makers in the domain of education and training. The findings complement those presented in the monitoring of the Economic Reform Programme, but from an education and training sector point of view.

8 NRF E.4.1.

9 For an overview of donor-supported projects, see NRF A.3.5, D.1.3 and E.4.2.

2. HUMAN CAPITAL: DEVELOPMENTS AND CHALLENGES

2.1 Overview and key data

Earlier, this report noted that human capital is an aggregate of the knowledge, skills, talents and abilities possessed and used by individuals for economic, social, and personal benefit. The value of human capital for people, economies and societies depends on how well it is developed, and on the extent to which it is then available and used.

Some of the key indicators on human capital, as well as the performance of North Macedonia against EU benchmarks in education and training, suggest that there are challenges at all stages of this value chain. The availability of human capital, for instance, is affected by demographic trends which gradually deplete the pool of prospective young workers and entrepreneurs (Table 1 and Table 2, indicator 1), while the development of skills among adults (especially those with low or no qualifications) is hampered due to limited access to lifelong learning (LLL) (Table 3).

There are also challenges with the effectiveness and quality of human capital development in formal education and training. The expected duration of schooling is just over 13 years and its average duration close to 10 years. These are relatively long periods compared to other countries, but the learning-adjusted duration of schooling is, on average, less than seven years (Table 2, indicators 2 to 4).

More than one in five is likely to have their human capital potential underused or neglected (Table 2, indicator 9), while half of recent graduates are unlikely to find any job at all (Table 3).

TABLE 2. SELECTED INDICATORS OF HUMAN CAPITAL, NORTH MACEDONIA

	Year	Value
(1) Population structure (% of total)		
0–24	2015	30.6%
25–64	2015	56.9%
65+	2015	12.5%
0–24	2025 ⁽¹⁾	27.5%
25–64	2025 ⁽¹⁾	56.1%
65+	2025 ⁽¹⁾	16.4%
(2) Average years of schooling	2017	9.6
(3) Expected years of schooling	2017	13.3
(4) Learning-adjusted years of schooling	2017	6.8
(5) Adult literacy	2015	97.8%
(6) Global Innovation Index Rank (x/126)	2018	84
(7) Global Competitiveness Index Rank (x/137)	2017–18	84
(8) Digital Readiness Index Rank (x/118)	2018	m
(9) Occupational mismatch		
% of upper secondary graduates working in low-skilled jobs (ISCO ⁽²⁾ 9)	2016	14.3%

	Year	Value
Male	2016	12.7%
Female	2016	17.3%
% of tertiary graduates working in semi-skilled jobs (ISCO 4–9)	2016	22.2%
Male	2016	24.7%
Female	2016	19.9%

Notes: m=missing; ⁽¹⁾ Projection. ⁽²⁾ISCO: International Standard Classification of Occupations.

Sources: (1) UN Population Division, World Population Prospects – 2017 revision; (2) UNESCO UIS database (3) and (4) World Bank (2018), Human Capital Index; (5) UNESCO, UIS database; (6) WEF, The Global Innovation Index, 2018; (7) WEF, Global Competitiveness Index 4.0, 2018; (8) Cisco, Country Digital Readiness, 2018; (9) ETF, skills mismatch measurement in the ETF partner countries.

TABLE 3. EU BENCHMARKS IN EDUCATION AND TRAINING

	North Macedonia		European Union		EU target
	2010	2017	2010	2017	2020
Early leavers (% aged 18–24)	15.5%	8.5%	13.9%	10.6%	< 10%
Tertiary attainment (% aged 30–34)	17.1%	30.6%	33.8%	39.9%	≥ 40%
Employment rate (% aged 20–64)	48.1%	54.8%	68.6%	72.1%	≥ 75%
Lifelong learning (% aged 25–64)	3.5%	2.3%	9.1%	10.9%	≥ 15%
Low achievers: Reading (% aged 15)	m	70.7%	19.7%	19.7%	< 15%
Low achievers: Maths (% aged 15)	m	70.2%	22.3%	22.2%	< 15%
Low achievers: Science (% aged 15)	m	62.9%	17.8%	20.6%	< 15%
Employment rate of graduates (% aged 20–34)	47.9%	50.0%	77.4%	80.2%	≥ 82%

Notes: m=missing

Sources: ETF database; Eurostat.

The following sections provide a breakdown of possible reasons behind these and other challenges reflected in this data, which were identified on the basis of information provided in the national Torino Process report of North Macedonia and in supporting sources.

2.2 Low quality of education holds back the development of human capital

Most strategic documents¹⁰ which map out the development trajectory of North Macedonia describe an expectation that education and training will be a future-oriented driver of human capital formation, but also that it will remedy the shortcomings of past policies which have led to the exclusion of large segments of the population from the benefits of decent work. They note how the sector should contribute to economic growth, to an increase in labour productivity, and to better chances for young people to gain good-quality employment. Education is also expected to support all citizens in their

¹⁰ According to the NRF, the overarching strategic framework for education and VET development is ensured by the Employment and Social Reform Programme (Ministry of Labour and Social Policy, 2016) and the Economic Reform Programme (Ministry of Finance, 2018). For the formulation of its vision for economic and social development, North Macedonia relies on sectoral strategies, which in the area of human capital development include the Education Strategy for 2018–2025 (MESRM, 2018), the Employment Strategy 2016–2020 (Ministry of Labour and Social Policy, 2015), and the Youth Employment Action Document 2016–2020 (Ministry of Labour and Social Policy, 2015b). Additional strategic documents have been developed to address adult education, i.e. Adult Education Strategy 2017–2020 and Lifelong Learning Strategy 2017–2020.

professional and personal endeavours through the development of key competences for lifelong learning in line with the European reference framework (Council of the European Union, 2018).

However, the national Torino Process report is rich in information about long-standing structural and policy-related weaknesses in education and VET in particular, which may complicate the pursuit of these commendable goals and diminish their prospects of success. Examples include major challenges, such as sub-standard quality of the teaching and learning environment, limited professional development opportunities and incentives for teachers and school leaders, outdated study programmes, limited outreach of adult education due to problems with content and provision arrangements, and massive problems with the quality of learning outcomes, as suggested by the unsatisfactory performance of North Macedonia in international assessments (see Table 3).

The combined effect of these challenges is an education and training system which does not deliver on expectations, diminishes the employability of graduates¹¹, and prevents the competitiveness and innovation potential of the nation from unfolding. Indeed, in global competitiveness and innovation indices, North Macedonia ranks in the lowest range of participating countries (Table 2, indicators 6 and 7).

A major problem is also that none of the reform plans is intrinsic, i.e. they do not serve the ordinary, day-to-day needs and expectations of people and institutions in VET. The reforms as presented in the strategic documents which the assessment refers to appear to serve a broader socioeconomic need while neglecting the routine structural and quality-related challenges that VET institutions and professionals have to cope with on a daily basis. Elsewhere, the ETF notes that such externally formulated reforms tend to neglect the 'ordinary' problems in the VET system, which in turn puts the improvement plans at risk of failure because of limited buy-in from those who are supposed to implement them (ETF, 2018b). This seems to be a veritable risk in North Macedonia and is a possible explanation of why progress in some reform areas has been rather limited over the years.

2.3 Demand for human capital is volatile

Over the past few years, the economic policies of the government¹² have aimed at job creation and demand for human capital (European Commission, 2018a), but they have also opened questions and possibly created new risks to growth and demand for human capital.

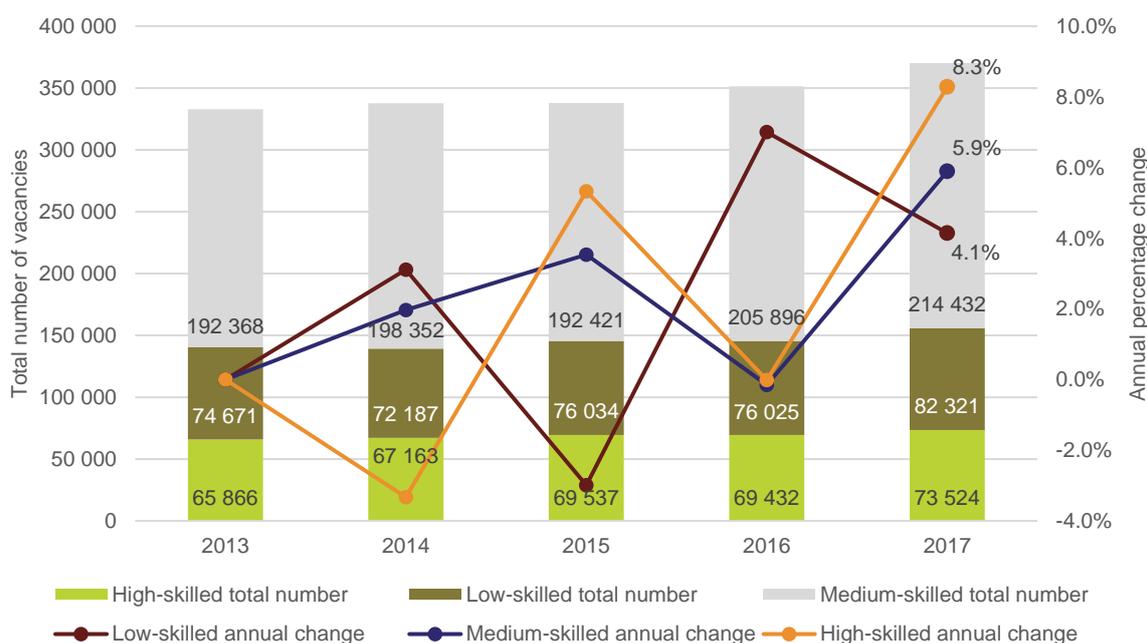
The employment programmes and fiscal/investment stimuli have shifted the profile of job opportunities away from low-skilled jobs towards employment requiring higher and medium-level skills¹³, which employers have been struggling to fill for some years now (Figure 1). According to official data, in 2017 they were still looking for over 214 000 workers with medium-level skills and for 73 524 high-skilled employees, the latter representing an increase of 8.3% compared to the year before.

11 NRF C.1.1.

12 For more details, see RoMMoF (2018), pp. 24ff, 33ff, and 38ff.

13 NRF B.1.2.

FIGURE 1. VACANCIES BY LEVEL OF SKILLS REQUIRED AND BY TOTAL NUMBER, NORTH MACEDONIA (2013–2017)



Note: According to national sources, the methodology used in gathering and calculating the data on vacancies may not be fully compliant with the Eurostat guidelines on vacancy monitoring and may need to be revisited. Thus, the data should be used with caution.

Source: Calculations based on data by the Employment Service Agency of North Macedonia in the ETF database.

From a human capital development and use perspective, this is a promising but also fragile stage of development, which raises questions of sustainability. Economic growth and the associated employment gains are fuelled by government interventions in the form of subsidies and public spending, which some observers¹⁴ believe may strain the public budgets and lead to fiscal difficulties and a reassessment of policy commitments.

In turn, this may reshape or even stall demand for human capital in key sectors on short notice, rendering obsolete the longer-term policy planning of authorities and the educational and training choices of prospective workers. Already at the time of preparation of this assessment, a decline in public spending on infrastructure has led to a contraction of construction activity by 37% in real terms, a sector which, until 2017, was one of the main drivers of job creation¹⁵. The volatility puts pressure on the education and training system to adapt and be responsive to external demand on short notice, a task which VET providers were not able to do at the time of this assessment.

2.4 Disparities in demand for human capital reinforce inequality

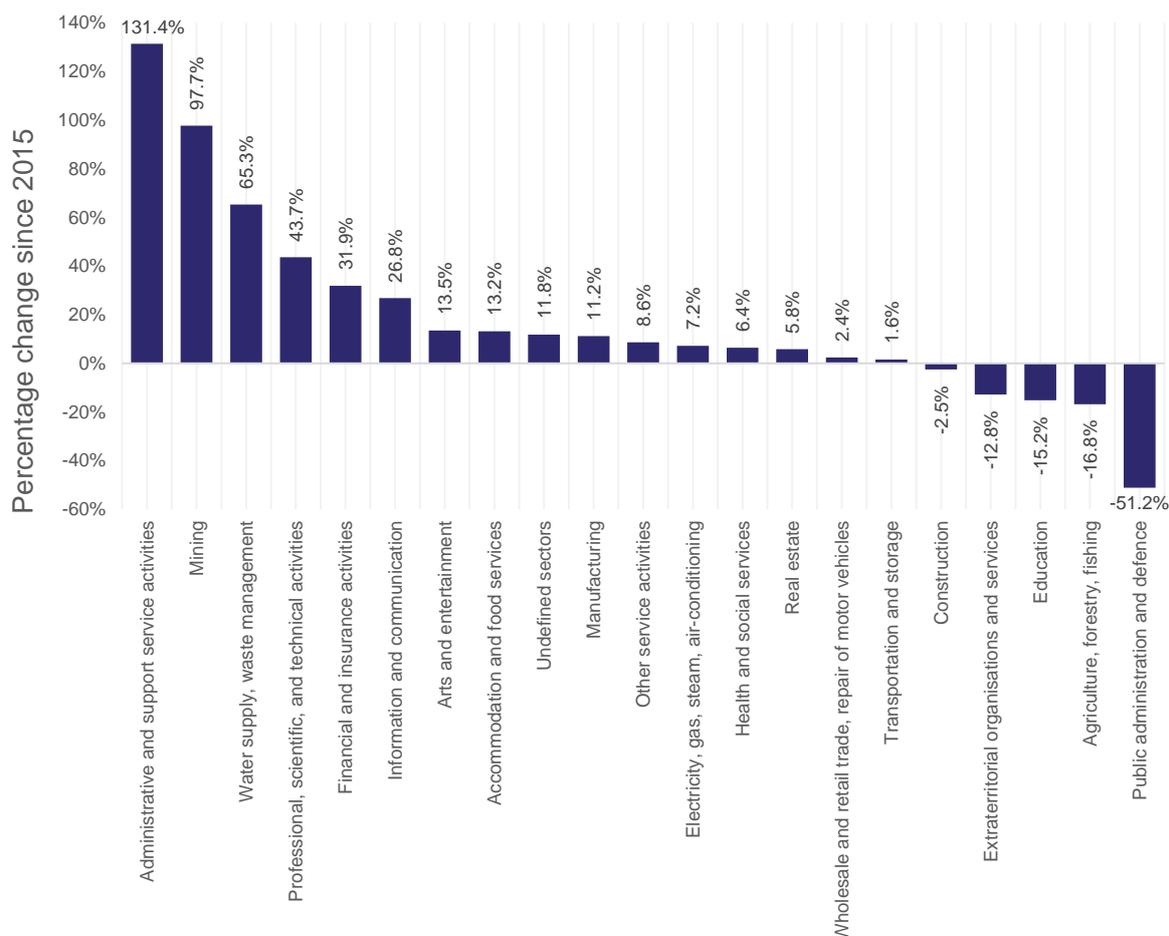
Another issue of relevance in this context is that there are large disparities in the distribution of demand for human capital across regions of the country and sectors of the economy, most of which are stagnating or even declining in terms of opportunities for work (Figure 2).

¹⁴ For instance, see the Staff Concluding statement of the 2018 Article IV Mission of the International Monetary Fund, available at <https://www.imf.org/en/News/Articles/2018/11/19/The-Former-Yugoslav-Republic-of-Macedonia-Staff-Concluding-Statement-2018-Article-IV-Mission> (accessed on 23 January 2019).

¹⁵ NRF A.3.1.

The NRF responses suggest that this may affect the well-being and employment outlook of certain segments of the population, and that it has a considerable impact on the chances for well-being and prosperity of people from vulnerable socioeconomic backgrounds, of those from smaller urban and rural areas and, as noted before, of young people (see also Section 2.2)¹⁶. Figure 2 also indicates that many of the sectors that create jobs at a rapid pace are such where vacancies would normally require medium-level skills and technical qualifications provided through VET, such as administration or mining¹⁷.

FIGURE 2. VACANCIES BY ECONOMIC ACTIVITY IN 2017 (NORTH MACEDONIA), PERCENTAGE CHANGE SINCE 2015



Source: Calculations based on data by the Employment Service Agency of Macedonia in the ETF database.

The national report of North Macedonia describes such situations of social and economic disadvantage, which seem to be the reality for many people of working age and/or who are potential beneficiaries of VET. There are accounts of considerable disparities in social development between regions, and social stratification within society that may lead to tensions, poor quality of life, and poor social cohesion. The NRF also reports of internal migration as a consequence of these developments, which leads to human resource shortages in some places and oversupply of workers in others and

¹⁶ See for instance NRF A.2.3 or C.1.2.

¹⁷ NRF B.1.2.

has lasting consequences for the well-being and social outlook of a disproportionate number of people¹⁸.

Some of the data referred to in the national report suggests that this situation is particularly disadvantageous for young people, for those with lower levels of educational attainment, and the Roma population. Also, women are more likely to take on low-skilled jobs than men¹⁹.

2.5 Capacity limitations related to evidence lead to inefficient use of human capital

One more challenge that emerges in the context of economic and labour market developments and may influence the demand and use of human capital is the limited capacity of labour market services and bodies in charge of education and training to capitalise on the available evidence regarding skills and labour market needs.

With the help of donors, North Macedonia has invested in a range of instruments for the collection of labour market and skills data which, in theory, should allow for the analysis of current and forecasting future demand²⁰. However, the bodies in charge, in particular the education sector, have limited capacity and incentives to interpret, disseminate and use the wealth of evidence. They struggle to connect the realms of work and education/training through data that is already in their possession²¹.

Such shortcomings lead, among others, to substantial incidences of (vertical) skills mismatches, which in North Macedonia are the most pronounced of all countries in the region and affect 14% of workers with medium-level qualifications and – as already noted – 22% of those with higher levels of qualifications (Table 2) (ETF, 2019b).

3. ASSESSMENT OF KEY ISSUES AND POLICY RESPONSES

This chapter focuses on two main issues related to human capital in North Macedonia: low educational attainment of the working age population and persistent youth unemployment. These two challenges are assessed in detail because, in the view of the ETF, they require immediate attention as major impediments to progress with the strategic priorities of the country towards stability, competitiveness and inclusive economic growth.

While these problems are hardly new, today they seem to have evolved into long-term policy challenges that resist improvement. The more detailed analysis of reasons for their persistence which this assessment offers, as well as the associated recommendations, might add value to the ongoing efforts of authorities, stakeholders and international partners in North Macedonia to move ahead through better education and training for all.

18 NRF A.3.2.

19 NRF B.1.1.

20 See NRF D.3.2 for an overview.

21 NRF B.1.7.

3.1 Low educational attainment of the working age population

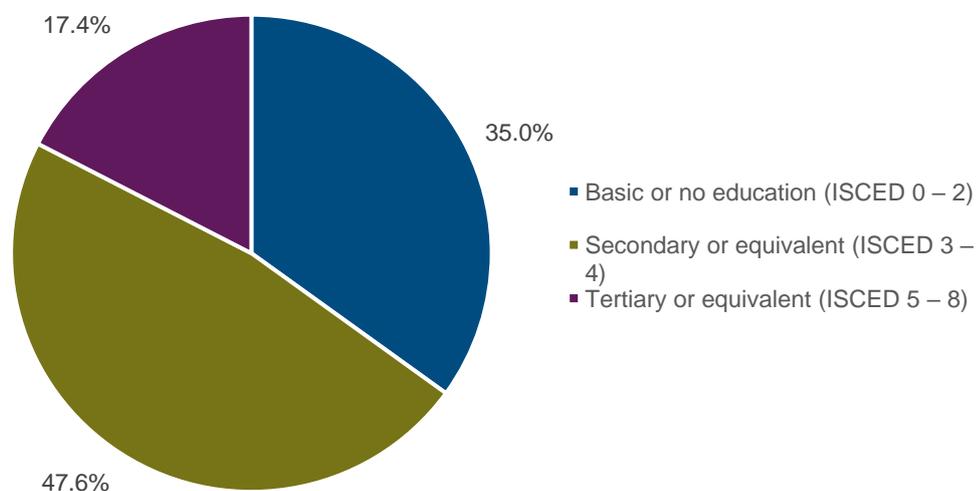
3.1.1 The problem

According to human capital theory, schooling improves the skills of workers, makes them more productive and sought after, and improves their social outcomes (Becker, 1993; Vera-Toscano et al., 2017). Incomplete or missing formal education can be a serious impediment to labour market participation and may impair the ability of people to adapt through learning to changing working environments and requirements (see Council of the European Union, 2018).

North Macedonia has something of a problem in this respect as it struggles to deliver education and education credentials to a substantial share of its working age population. For reasons that are not evident, low educational attainment has been a challenge in the country for decades²² but today, this trait of its stock of human capital stands in stark contrast to the ambitions for competitiveness and inclusive economic growth shared by authorities in their strategies and Torino Process national reports.

In 2017, for example, well over a third of the population of working age (35%) had basic or incomplete basic education or no formal education at all (Figure 3). Close to 48% had left school with a secondary education diploma, and 17% had a tertiary education diploma (for comparison, Eurostat reports that the average share of higher education graduates in the EU was 28% in that year).²³

FIGURE 3: WORKING AGE POPULATION BY EDUCATIONAL ATTAINMENT IN NORTH MACEDONIA, SHARE OF TOTAL (2017)



Note: The Labour Force Survey (LFS) data for the working age population covers the age group 15 to 64. ISCED: International Standard Classification Of Education.

Source: NRF C.1.1 and calculations based on data from Makstat (2017).

A breakdown of this data by age groups shows the presence of a link between age and educational attainment (Figure 4): the older a person, the more likely that she or he will have little to no formal

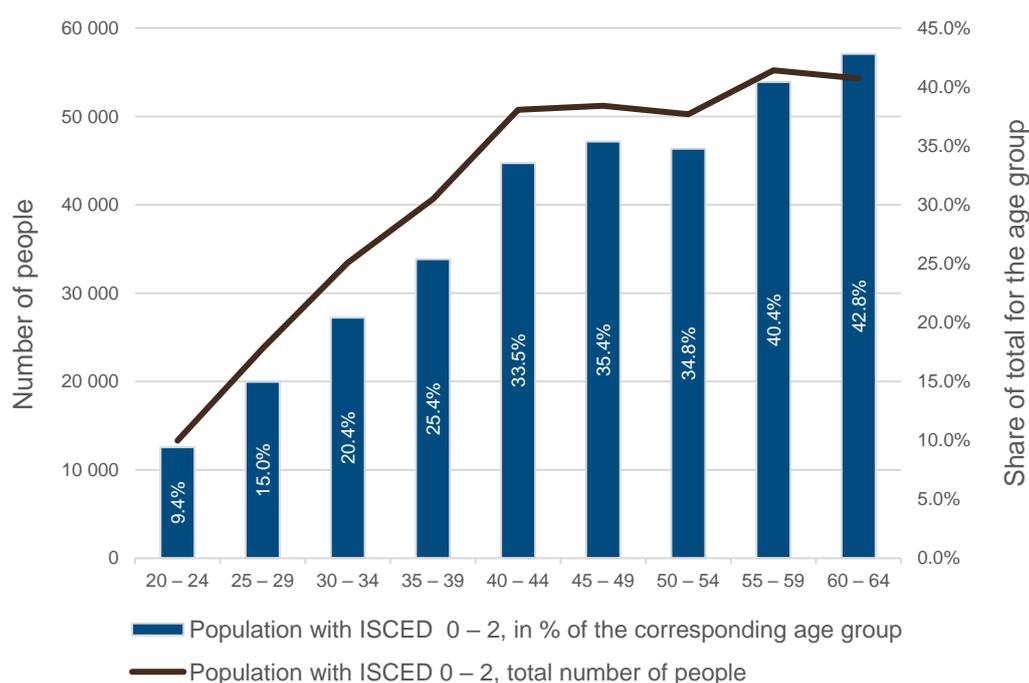
²² NRF C.1.1.

²³ See https://ec.europa.eu/eurostat/statistics-explained/index.php/Tertiary_education_statistics

education. This pattern is common to other countries in the Western Balkan region too, especially to workers over 60 years of age who are closer to retirement.

This group aside, however, it is a concern that in North Macedonia the problem also affects between a quarter and a third of people, including those aged between 35 and 50 – people who should be in their prime in terms of capacity for work, potential for professional achievement, and/or ability to take responsibility for guiding fellow employees or businesses. Such development trajectories are likely to be out of reach for most of them because of their incomplete or missing formal education.

FIGURE 4: POPULATION OF WORKING AGE WITH BASIC OR NO EDUCATION (INTERNATIONAL STANDARD CLASSIFICATION OF EDUCATION (ISCED) 0–2), BY AGE GROUP (2017)



Source: Calculations based on population data of the State Statistical Office and on data from Makstat (2017).

How big a problem is this? In other words, is educational attainment such an important prerequisite for employment and professional/personal fulfilment? The question is justified, as some research suggests that ISCED levels cannot be taken as a cross-nationally comparable proxy for human capital, and that formal education does not entirely explain the skill differences among adults (Massing and Schneider, 2017).

In North Macedonia, however, educational attainment is one of the strongest predictors of long-term unemployment and economic inactivity, which in 2017 affected about 56% of the population of working age (Makstat, 2017)²⁴. Four out of five of unemployed people with basic or no education were also long-term unemployed, and those with basic or no education accounted for well over half of the inactive population in the country (Table 4, Columns 1 and 2). Overall, a quarter of unemployed people had incomplete basic or no formal education in that year. The national report notes that these people are also the most exposed to the risk of poverty and exclusion²⁵.

24 According to the same source, 12.7% of the working age population was unemployed in 2017, and 43.2% was inactive.

25 NRF B.1.1 and B.1.6.

TABLE 4: LONG-TERM UNEMPLOYMENT AND INACTIVITY BY LEVEL OF EDUCATIONAL ATTAINMENT, NORTH MACEDONIA (2017)

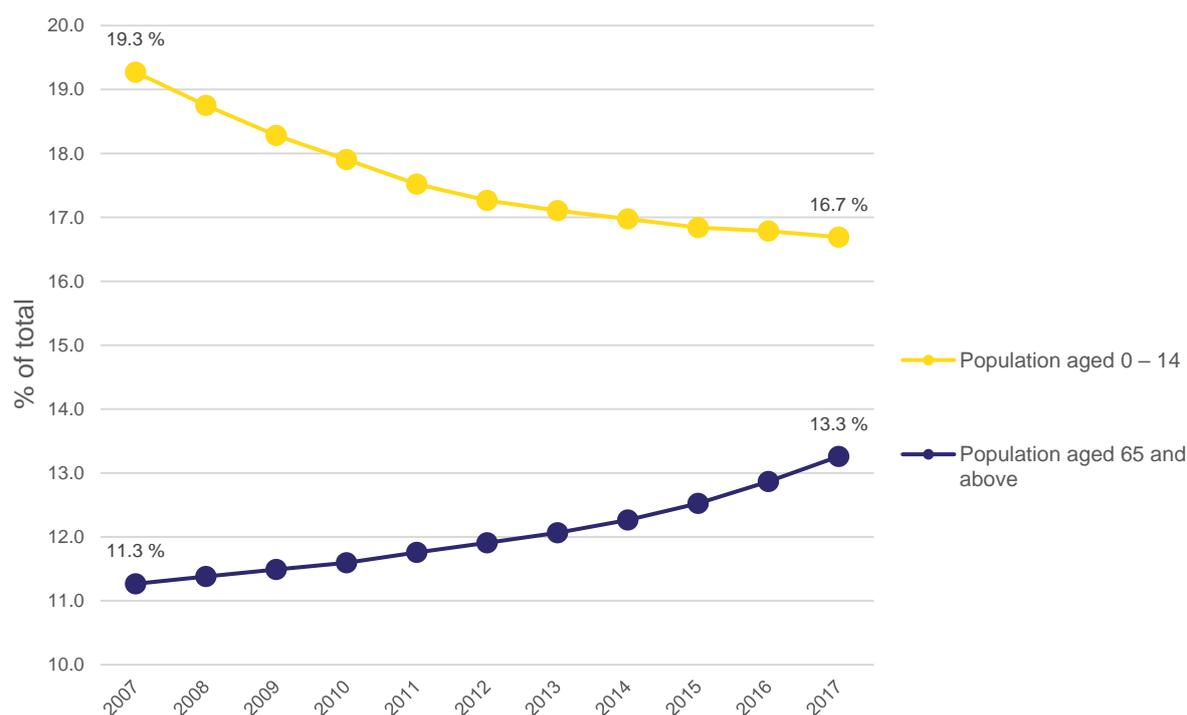
Level of educational attainment	Long-term unemployed in % of all unemployed, by educational attainment	Inactive population by educational attainment
	(1)	(2)
Basic or no education (ISCED 0–2)	80.6%	55.4%
Secondary or equivalent (ISCED 3–4)	77.8%	37.1%
Tertiary or equivalent (ISCED 5–8)	71.8%	7.5%

Note: Long-term unemployed refers to the number of people who are out of work and have been actively seeking employment for at least a year.

Source: Calculations based on population data of the State Statistical Office and on data from Makstat (2017).

It is reasonable to conclude that in the case of North Macedonia, low educational attainment is a central problem to start with, both because of its persistence and because of its impact on the availability and mobilisation of human capital in the economy. The problem is reinforced by the combined impact of external migration and declining birth rates, which are leaving the country with fewer young people and an ageing workforce (Figure 5), which is the segment of the population that is most likely to be uneducated.

FIGURE 5: SELECTED DEMOGRAPHIC TRENDS, NORTH MACEDONIA (2007–2017)



Source: ETF database.

3.1.2 Policy responses

The educational attainment of individuals is not a constant. Targeted public policies can support its growth over time and reduce the risk of unemployment. This includes improvements in access and success in formal education and training, but also opening adult education (AET) and LLL opportunities for remedial (e.g. second chance education) and enrichment purposes (e.g. professional development) beyond formal schooling.

Well aware of these possibilities and the urgency for change, the authorities of North Macedonia have traditionally prioritised the growth of educational attainment of the working age population. As a form of long-term remedy for the problem, secondary education and VET were subjected to a range of reform commitments and in 2008 became compulsory²⁶. In terms of more immediate-effect measures, in 2008 North Macedonia also singled out the promotion of LLL and AET as a primary response to the long-standing challenge of underdeveloped human capital²⁷.

Although these priorities are highly relevant, there are reasons to conclude that the policy interventions in both the formal and the AET segments of human capital development are not as effective and coherent as they could and should be. The next sections of this chapter discuss this in some detail.

Actions in formal schooling and compulsory VET

Priorities and effectiveness

According to data available at the time of this assessment, 65% of the population of working age in North Macedonia had at least a secondary education degree²⁸. The national Torino Process report describes this as an achievement and explains that it has been possible due to the long-standing promotion of access and success in secondary education and VET, which the country has traditionally pursued as a measure against illiteracy and low educational attainment²⁹.

Successful graduation and progression are still very much the focus of strategic planning for VET and education in general. The Education Strategy for 2018–2025 (MESRM, 2018) commits to the improvement of completion and success rates in VET and to better, smoother progression to higher levels of education and training, including better rates of retention in general education. The success of learners in terms of graduation and progression is also at the centre of the Action Plan, which complements the Education Strategy, and North Macedonia has had some remarkable success with that.

Probably the most important policy decision along these lines was to make secondary education and VET compulsory in 2008. Statements in the national report suggest that it has helped to boost educational attainment by ensuring satisfactory rates of retention and graduation in education and training, the latter reaching as high as 97% for some types of programmes³⁰. The data on early leavers from education which ETF collected to benchmark North Macedonia against the EU 2020 targets in education and training also indicates that this priority was successful well beyond compulsory education. In 2017 the rate of early leavers from education among young people aged 18 to 24 was 8.5%, well below the average of 10.6% for the EU in that year (Table 3).

26 NRF A.2.4.

27 In 2008, Macedonia adopted the Law on Adult Education (NRF A.2.1). For an overview of priorities, see also NRF B.1.5 and C.1.1.

28 Ibid.

29 NRF C.1.1.

30 Three-year programmes in secondary VET. Sources: NRC C.1.3 and ETF database.

However, labour market data also suggests that for the years since 2008, those with secondary education degrees were also the most numerous among the short-term unemployed. If in North Macedonia low or no education is a distinct feature of long-term unemployment and inactivity (see Section 3.1.1), then a secondary education degree is a common attribute of short-term joblessness: it is the highest educational achievement of 56.1% of people in that group (Makstat, 2017).

Statements in the national report confirm the observations from this data. VET and secondary education in North Macedonia (of which VET is an integral part – see Annex 2) appear to be inclusive, effective, and supportive of student success and graduation results³¹. They also promote a relatively smooth progression to higher education, as attested by a boom in higher education enrolment over recent years and a tertiary attainment rate of over 30% (Table 3). At the same time, this does not seem to translate to a comparable degree of employability or success with transition to higher levels of education. In 2017, the employment rate of graduates from secondary general education and VET was only 41.6% on average³². In 2018, the rate of transition from VET to higher levels of education dropped when the authorities abolished a hitherto widely used arrangement for admission to higher education without students needing to take entrance exams³³.

These findings may appear handpicked to some extent and problems with transition to employment can be due to a number of factors beyond education. However, the findings undoubtedly challenge the reported success of actions to grow educational attainment through retention and student success, in initial VET and secondary education more broadly. The next section discusses some of the policy reasons for this state of affairs.

Shortcomings and policy gaps

There are a number of limitations in the conditions and practices of teaching and learning in VET, which include problems with the quality of infrastructure, the shortage of teaching and training materials, insufficient preparation of teachers, and large class sizes. The list also includes a challenge with the quality of students enrolling in VET, which like in many other countries is the least attractive educational option for many and a traditional destination for low- and the lowest-performing students, often from disadvantaged or otherwise challenging backgrounds. The Education Strategy for 2018–2025 also notes that there is a large percentage of pupils with insufficient levels of integration and preparedness who enrol in VET and require special attention (MESRM, 2018).

The transformation of VET and secondary education into a compulsory segment of education vested a qualitatively new form of obligation in providers and their staff who, as a newly integral part of the compulsory system, had a legal responsibility to see their students through to graduation or otherwise present convincing evidence of non-performance. Unfortunately, the introduction of compulsory secondary education was purely legislative, unaccompanied by supporting measures. Teaching and learning conditions remained largely the same as did the challenges and needs of students whose parents now had a legal obligation to send their children to education and training and see them through to graduation. The Education Strategy for 2018–2025 (MESRM, 2018) has only now committed to addressing these conditions in detail.

This development seems to have had a significant impact in the area of internal quality assurance. As noted earlier, the national report suggests that it is marked by arbitrariness and that the information it

31 NRF C.1.1.

32 ETF database.

33 NRF A.2.1.

delivers about the education and training achievement of students is not considered trustworthy by stakeholders.

At the time of preparation of this assessment, the only form of regular evaluation of student advancement in VET and general education was classroom assessment, which is administered by the teachers and known to be unreliable because of the propensity to succumb to parental pressure and ‘help’ students graduate by inflating grades, to ensure their ‘successful’ progression through education³⁴.

Indeed, in 2015 less than 3% of 15-year-olds in North Macedonia repeated a grade, a rate four times lower than the average rate of repetition in Organisation for Economic Co-operation and Development (OECD) countries (OECD, 2016). The NRF implies that almost all students graduate with good to excellent grades³⁵, even on the secondary school leaving exams (State Matura) a result which is in stark contradiction with the outcomes of external assessments, such as OECD’s Programme for International Student Assessment (PISA), and also with the outcomes of students in terms of employability and progression, as discussed before. According to PISA, less than 1% of 15-year-olds in North Macedonia achieve high and highest proficiency in mathematics and reading, while the share of high performers on the State Matura is about 70% (Table 3 and Table 5).

TABLE 5: DISTRIBUTION OF STUDENTS BY PERFORMANCE IN PISA (MATHEMATICS, READING) AND AT THE STATE MATURA (AVERAGE FOR ALL SUBJECTS), SHARE OF ALL PARTICIPATING STUDENTS

	PISA	
	Proficiency Level 4 and below	Proficiency Level 5 and above
PISA average in mathematics	94.0	0.8
PISA average in reading	94.6	0.2
	State Matura	
	Poor to satisfactory (grades 1 to 3)	Good to excellent (grades 4 to 5)
State Matura outcomes	30.0	70.0

Notes: PISA data from 2015. State Matura data from 2012.

Sources: PISA 2015 database and MESRM, 2012

The problem of grade inflation and subjectivity in assessment is so prevalent that it led to the introduction of external testing between 2013 and 2017 as a way to control and sanction the assessment decisions of teachers (MESRM, 2004), a measure which has since been dropped due to protests by parents and teachers.

Among the most detrimental implications of this practice is that the broader problem with unsatisfactory quality of VET outcomes goes largely undetected until after graduation/completion of training. Only then do the shortfalls of education and training become evident, for example in occasional tracer studies³⁶ or statements in employers’ surveys, comments by higher education professionals who have VET graduates on their courses, and as seen in below-average performance of students (including of those in VET) in international assessments. Essentially, the practice and the policy gaps which are motivating it lead to a postponement of problems and not to their resolution,

34 NRF C.1.1 and D.3.2. See also State Examination Centre (2013).

35 NRF C.1.1.

36 See NRF C.3.1 for data on the perceptions of VET and higher education graduates about the relevance of their education.

shifting the risk of failure further down the road and beyond the schools, instead of resolving that risk within them.

Probably the most far-reaching damage, however, is to the credibility of credentials delivered by VET, which may be distrusted by external stakeholders (e.g. employers)³⁷ who are all aware of the likely bias in quality assurance and classroom assessment results.

Actions beyond initial VET: adult education and lifelong learning

As already noted, the authorities of North Macedonia have established the promotion of LLL and AET as a prominent response to the long-standing challenge of low educational attainment. The next sections discuss the details of this response and how well the policy solutions work in practice.

Priorities and effectiveness

Empirical research suggests that skills and social outcomes can be affected by numerous complementary factors beyond formal education. A major factor is the availability of opportunities for learning and development after the completion of formal schooling or study, as many essential skills for the social outcomes and professional success of individuals must be nurtured over a lifetime and in addition to formal education and qualifications (Vera-Toscano et al., 2017).

To make this happen, North Macedonia has declared AET a priority and is working on integrating it into the mainstream of its education reforms. The technical basis for that was created with the adoption of the Law for Adult Education in 2008 and a number of secondary laws and amendments, which defined the key terms and responsibilities in the area of AET and stipulated the requirements and procedures for the approval (verification) of programmes and AET providers, as well as the certification of AET trainers³⁸.

In addition, the Education Strategy for 2018–2025 (MESRM, 2018) and the drafts of two further strategies – on AET and LLL – all declare AET to be a transversal element of national education next to pre-school, primary, and secondary education, as well as VET, higher education and research³⁹. These steps have been complemented by donor-supported initiatives to pilot AET solutions and raise capacity for their delivery to those in need, including through the recent development of new programmes⁴⁰.

Data on participation suggests that the AET priority has failed to gain traction⁴¹, despite international support and a decade of commitment to these highly relevant plans. In fact, those who might benefit from it the most participate the least: Figure 6 shows that participation is equal to zero for those above the age of 40 of both genders, and that there is a drastic decline in participation after people have completed their compulsory education.

37 See NRF B.1.7

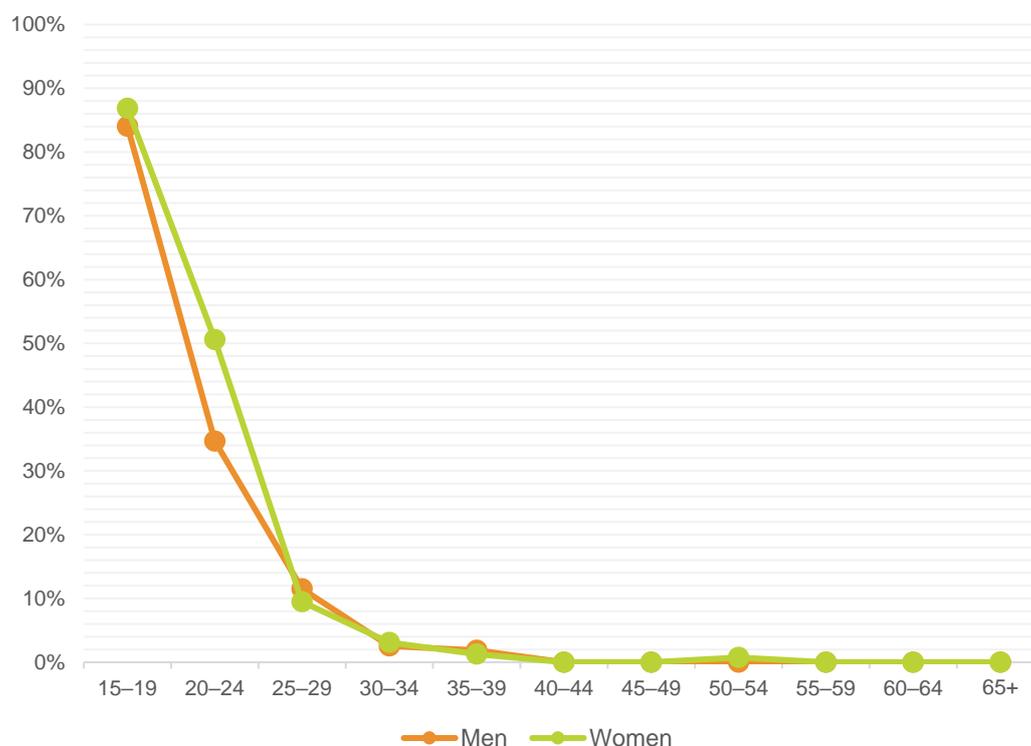
38 For the full text of the law in Macedonian, see <http://cov.gov.mk/2485-2/> (accessed on 3 February 2019).

39 NRF A.2.4.

40 NRF B.1.7.

41 NRF A.2.3 and A.3.4.

FIGURE 6: PARTICIPATION IN ADULT EDUCATION AND LIFELONG LEARNING, BY AGE GROUP AND GENDER (2017)



Note: Population by age group participating in formal or non-formal learning activities, undertaken on an ongoing basis with the aim of improving the knowledge and skills of each individual, as a share of the same age group.
Sources: Calculations based on data from Makstat (2016 and 2017).

Less educated are practically excluded from opportunities to upgrade their skills and knowledge (Table 6). They do not take part in formal AET programmes, and a mere 3% in that group are reported as having taken advantage of non-formal AET opportunities which, according to the NRF, are the predominant form of adult education in North Macedonia⁴². The table also shows that people with higher education are the primary beneficiaries of opportunities for personal and professional development through AET. The national report adds that the typical participant in adult education is also likely to be employed: in 2016, some 79% of participants in adult education had a job⁴³.

42 NRF A.2.3.

43 Ibid.

TABLE 6: POPULATION OF WORKING AGE WHICH PARTICIPATES IN ADULT EDUCATION, BY LEVEL OF EDUCATIONAL ATTAINMENT AND TYPE OF ADULT EDUCATION

Educational attainment	Formal AET	Non-formal AET	Informal AET
Incomplete basic or no education	0.0%	3.0%	20.6%
Secondary education	48.7%	36.4%	51.3%
Higher education	50.6%	60.6%	28.2%
No information	0.7%	0.0%	0.0%
Total	100%	100%	100%

Note: Data from adult education survey respondents aged 25 to 64.

Source: Calculations based on data from Makstat (2016).

One could perhaps argue that the low effectiveness of AET policies at the lower end of the educational attainment spectrum is due to the difficulty of reaching out to certain segments of the population, such as inactive people or those living in rural areas, because they are ordinarily beyond the reach of public bodies in charge of human capital development. They are also less likely to have the means and incentives to invest on their own in personal and professional development. Still, education and training for adults in North Macedonia is failing even in more structured and formal settings, such as the labour market services provided to registered jobseekers (Figure 7). Of the 102 394 unemployed in 2017, only 7 469 (3.5% of the total) have participated in training and the average rate of participation since 2013 has been a mere 2.9%.

The national Torino Process report provides some hints about the possible reasons for such findings and they all concern gaps in policy design and implementation, as will be described next. They include provision of AET which is insufficiently regulated and quality assured; a fragmented offer which is confusing for potential beneficiaries, policy planners, and external partners; limited public funding and provider involvement; and neglect of second chance education despite its potential to be influential for a substantial share of the population who have an educational disadvantage.

Shortcomings and policy gaps

Adult education provision appears to be regulated only loosely, despite a seemingly extensive state apparatus for steering, monitoring and control⁴⁴. The national report and the information collected through the adult education and labour force surveys of 2016 and 2017 all indicate that in practice, almost any natural or legal person can become a provider of adult education⁴⁵, with or without a licence (verification), and enjoy considerable autonomy over the course design and content⁴⁶.

44 It includes the Centre for Adult Education, its Steering Committee composed of representatives of various line ministries, the chamber of commerce and others, a Council for Adult Education, and the State Inspectorate for Education. See also Law on Adult Education, Section II and NRF A.2.2.

45 See also Law on Adult Education of 2008, Article 5.

46 NRF E.1.1.

NORTH MA

RECOMMENDATIONS



Recommendation 1. Improve classroom assessment in VET



Link standards, grading and assessment

Establish cooperation between teachers who assess

Ensure exams are in line with learning

Recommendation 2. Ensure that adult education supports national strategic priorities



Provide second chance education and eradicate adult illiteracy

Reinforce public providers

Introduce incentives for private providers offering relevant courses



Recommendation 3. Reinforce private adult education and training



Better coordinate regulation

Introduce baseline criteria

Upgrade to a system of licensing and external quality assurance



ACEDONIA

S FOR POLICY MAKERS

Recommendation 4. Capitalise on existing knowledge and skills

- ☀️ Strengthen the Council on Adult Education for the validation of formal and informal learning



Recommendation 5. Prioritise action to combat youth unemployment

- ✳️ Prioritise international best practice to combat youth unemployment

Recommendation 6. Improve career guidance in schools

- Make better use of labour market data
- Expand career guidance to secondary schools
- ★ Promote digital literacy and entrepreneurship



Recommendation 7. Improve the responsiveness of VET through better quality

- ✳️ Create more flexible pathways into teaching for people from the world of work
- Strengthen the involvement of employers
- Invest in work-based learning, internships etc.
- Prioritise work on the national qualifications framework



FIGURE 7: REGISTERED JOBSEEKERS, BY TOTAL NUMBER AND PARTICIPATION IN TRAINING FOR UNEMPLOYED PEOPLE



Source: ETF database and Employment Service Agency of North Macedonia.

At the time of preparation of this assessment in the first quarter of 2019, for instance, the public database of the Centre for Adult Education (CAE), which is responsible for verification of special programmes for AET in North Macedonia, had 786 formal and non-formal programmes on file, which were provided by a total of 666 providers of various organisational size, institutional profile, legal form, mandates, business model, and experience with the provision of training. Only two of the 666 providers and 406 of the 786 programmes on offer were listed as licensed (verified), and there were only 18 certified AET trainers for the country. The national Torino Process report also notes that there is no proper quality assurance in place⁴⁷.

Table 7 provides a snapshot of this remarkable and somewhat confusing diversity. It shows the type of providers to which employers have outsourced the education and training of their employees, and the type of providers chosen by individuals of working age who report having recently participated in AET and training, of which some 30% was non-formal.

It is not obvious what the reasons are for the permissive regulatory stance, but the finding is consistent with a broader pattern of limited interference and involvement in AET by the state; this is a surprising finding, given the strong strategic and legislative commitment of authorities in North Macedonia to the contrary.

47 NRF A.3.4.

This detachment manifests itself in different ways. Table 7 suggests that, although AET is formally part of the education system and its provision is within the competence and mandate of public providers of education and VET, their involvement in it is limited⁴⁸. For example, public providers accounted for only about 13% of the AET provided on behalf of employers. The NRF also notes a gap in capacity of the Ministry of Education and Science and other line ministries, which have added AET and LLL to the portfolios of existing and already overstretched structural units with little capacity to handle the task and the challenges that go along with it⁴⁹. Finally, public funding for AET is marginal. In 2017 it amounted to only 0.4% of public spending on education⁵⁰.

TABLE 7: ADULT EDUCATION AND TRAINING PROVIDERS AND COURSES, BY TYPE AND COVERAGE

Use of AET services by employers (1)		
Training provider by type	Employers who used that type of provider, total	Share of total
Trade unions	118	2.2%
Schools and universities	297	5.4%
Public training institutions, e.g. adult education centres	427	7.8%
Employers' associations, chambers of commerce, sector bodies	554	10.1%
Private companies whose main activity is not training	588	10.7%
Other training providers/unspecified	1 309	23.9%
Private training companies	1 875	34.2%
Use of AET services by people of working age (2)		
Training providers by type and/or course offer	Respondents who attended courses by that type of provider, total	Share of total
Trade unions	-	0.0%
Individuals	2 100	0.9%
Non-governmental organisations	2 739	2.8%
Others	4 204	4.9%
Businesses	6 309	5.2%
Non-commercial entities (e.g. museums, libraries)	5 517	5.5%
Employers' organisations	11 236	8.7%
Providers of formal education and training	16 746	16.5%
Employers	30 654	25.3%
Providers of non-formal education and training	42 058	30.3%

Notes: 1. Year of reference 2015; 2. Year of reference 2016.
Sources: Makstat database (<http://makstat.stat.gov.mk>) and Makstat (2016).

Such limitations by authorities and entities operating on their behalf limit the impact of AET on the prospects of people with educational and employability disadvantages.

48 NRF A.2.3.
49 NRF A.2.2.
50 NRF A.3.4.

First and probably most obvious is that the offer is rich and confusing when it comes to provider diversity. There is no clarity about how the current capacity for provision of AET in North Macedonia matches (or not) the priorities of the state policy, who is providing what, and, from there, how to mobilise the offer in a more effective way, for instance by prioritising the provision of specific content to specific groups of beneficiaries.

Second, the limited public funding and provider involvement, as well as some regulatory deficiencies, create a bias in access to AET to the disadvantage of people with lower education levels and/or no work. Part of the problem is that most of the AET on offer requires a minimum of ISCED 3 for admission, which excludes prospective candidates with lower educational attainment.

In addition, the bulk of the cost of AET provision is carried by private investment from employers and the learners themselves, which means that AET benefits only those who can afford it: individuals with sufficient earnings and employers which see it as a long-term investment in their more promising employees (Table 8). It is not surprising to note that 78% of AET beneficiaries are professionals who are in employment and have a higher education degree. The bias of AET provision in favour of more affluent learners and businesses represents a considerable departure from the declared goals of education and (draft) adult education strategies.

TABLE 8: EMPLOYEE PARTICIPATION IN WORK-RELATED TRAINING, BY SOURCE OF FUNDING AND EDUCATIONAL ATTAINMENT (2016)

Educational attainment	Funded by employer		Self-funded		Total
	Total	%	Total	%	
Incomplete basic or no education	2 425	1.4%	2 551	4.7%	4 976
Secondary education	45 612	26.8%	16 469	30.3%	62 081
Higher education	122 123	71.8%	35 258	65.0%	157 381
Total	170 160	100.0%	54 278	100.0%	224 438

Note: Data for employees aged 25 to 64.
Source: Makstat (2016).

Finally, the limited involvement of public providers who have methodological and teaching experience means that the AET field is dominated by private providers, many of which are ordinarily not in the business of education and training and might not have the experience needed for the design and administration of courses for people from different (disadvantaged) backgrounds, ages, and walks of life. Having a for-profit orientation, they also have little financial incentive to work with such people, many of whom need remedial and second chance education which is known to be costly and time-consuming (especially for private providers) (CEDEFOP, 2013), and is largely underdeveloped in North Macedonia⁵¹. Besides, the legislation stipulates that such education can only be offered by verified providers⁵², of which the country has only two, as noted before.

51 NRF B.1.5.

52 Law on Adult Education, Articles 17 and 18.

3.1.3 Recommendations

Recommendations for action in initial VET

R.1 Improve the reliability and accuracy of classroom assessment in VET

The problems and practices discussed in Section 3.1.2 of this report suggest that in North Macedonia, some of the basic elements of quality assurance, such as classroom assessment, are failing because they are unreliable and untrustworthy.

The discussion in this chapter also noted that over-marking is a form of ill-fated response to a strategic imperative in support of human capital development through educational attainment, which aims at preventing early leaving and drop-out by letting students graduate irrespective of actual performance. A complementary but more technical problem is the weak or unclear connection between standards of learning and achievement in different subjects, the grading criteria, and the assessment practices of teachers. As a result, the assessment of learning outcomes in North Macedonia does not reflect what graduates really know and can do.

National authorities and stakeholders acknowledge the problem by stating that the system of quality assurance in secondary VET is at its early stage of development. They also note that the assessment of learning outcomes is inconsistent and propose addressing this as part of a broader effort to improve the quality of education and training (MESRM, 2018).

The ETF confirms the importance of this priority and recommends the authorities work on improving the reliability and accuracy of quality assurance in VET, in particular of classroom assessment. An element to look into would be the adequacy of expectations and criteria of student success in VET. The graduation exams, for instance, appear to have been designed with academic disciplines in mind, which might not be fair to what VET students are learning.

Recommendations for action beyond secondary education and initial VET

The challenge of limited effectiveness of adult education is not unique to North Macedonia. A number of EU countries are struggling with the provision of education opportunities to disadvantaged adults, most of whom receive little to no training (OECD, 2019).

The authorities of North Macedonia acknowledge that the adult learning programmes have limited coverage and impact, especially when it comes to second chance education and the elimination of illiteracy among adults. In the national plans for improvement, they also note the fragmentation of the AET offer, the lack of end-user information, and the limited awareness of potential beneficiaries about the possibilities and advantages associated with AET, and state that public funding limitations are a serious impediment (MESRM, 2018).

The official plan for a response to these problems includes actions to improve the knowledge and skills of adults, notably through the recognition of non-formal and informal learning⁵³, and the provision of incentives for adults to participate in AET, to prepare the ground for the introduction of proper quality assurance of AET, and improvements in the legislation, management and organisation of education and training for adults (MESRM, 2018).

These plans are spot on and the education strategy has complemented them with a number of actions. However, their success is likely to depend on whether authorities, practitioners and stakeholders will manage to address the structural and policy gaps which contribute to the problems

53 NRF C.1.6.

in this area. To that end, this assessment recommends prioritising technical actions along the following lines:

R.2 Ensure that adult education supports the strategic priorities of the country

The analysis in Section 3.1.2 described a degree of detachment of state bodies and public providers when it comes to AET and LLL, and noted some of the negative consequences, such as bias in access and limited effectiveness in addressing national priorities for human capital development.

The ETF recommends that the authorities reinforce the involvement of public providers in this area, because it may bring important advantages over the present situation. It will create an additional channel of monitoring and steering of developments in the domain of AET, which will allow the authorities to ensure that at least some of the AET provision is aligned (and stays aligned) with key strategic priorities concerning human capital development, such as second chance (remedial) education and the eradication of adult illiteracy. At the time of this assessment, both priorities were largely neglected. North Macedonia already has public provider capacity that can be mobilised to that end.

In the same vein, the ETF recommends the authorities consider the introduction of incentives, for instance tax breaks, for private providers that offer AET training in line with national priorities for human capital development. Access to such schemes for providers should be made conditional on the licensing and verification of their training offer.

R.3 Reinforce the quality and transparency of private provision of adult education

It is concerning to note that most of the offerings which may help to grow educational attainment and develop human capital beyond formal schooling are provided in the form of courses and by (private) providers who are not checked/verified. The reasons for this are not evident, but one part of the challenge seems to be the permissive interpretation of the Law on Adult Education, which results in an oversaturation of providers, limits the transparency of their offer, and leads to a de facto privatisation of the sector without a proper system of control and verification. The ETF thus recommends a stronger, more coordinated approach to the regulation of private providers than is the case now, for instance by introducing a baseline criteria for institutions (public and private) that wish to become providers and upgrading the mechanism of verification into a system of licensing and external quality assurance for AET.

This should include strengthening institutional capacity for coordination of AET, a problem which the ETF recommends is addressed with some urgency. The current arrangement in which the strategic planning and coordination is split between numerous state institutions, while the day-to-day coordination in this area is assigned to a structural unit with a disproportionately big portfolio, is not likely to be sustainable in the long run.

R.4 Capitalise on the existing knowledge and skills of the population by reinforcing the work on recognition of informal and non-formal learning

Table 6 showed that informal and non-formal learning is the predominant form of adult learning for those with low educational attainment levels. In an effort to capitalise on the existing knowledge and skills of this segment of the population of working age, the Council on Adult Education has initiated work on a system for the validation of non-formal and informal learning, which at the time of this assessment has been integrated as a priority in the National Education Strategy and the reforms of the qualifications system⁵⁴. This is a positive development and a recommendation which this assessment fully backs.

3.2 Persistent youth unemployment

3.2.1 The problem

Description

The national Torino Process report and the strategic documents of North Macedonia acknowledge that youth unemployment is a central problem for the country in the domain of human capital development. One of the more recent international studies even notes that North Macedonia has one of the highest youth unemployment rates in the world (Mojsoska-Blazevski, 2016).

Youth unemployment and (out-of-school) inactivity can be a serious human capital challenge in any country, irrespective of its level of economic development. Empirical studies confirm that the consequences for the future of young people who were unemployed can be lasting and wide-reaching, including limited employment opportunities (Ryan, 2001), substantially lower wages (Arulampalam, 2001), higher risk of unemployment (Nordström Skans, 2004), and marginalisation in society (Bay and Blekesaune, 2003). Youth unemployment and inactivity also tends to affect people in groups that are already disadvantaged (Görlich et al., 2013).

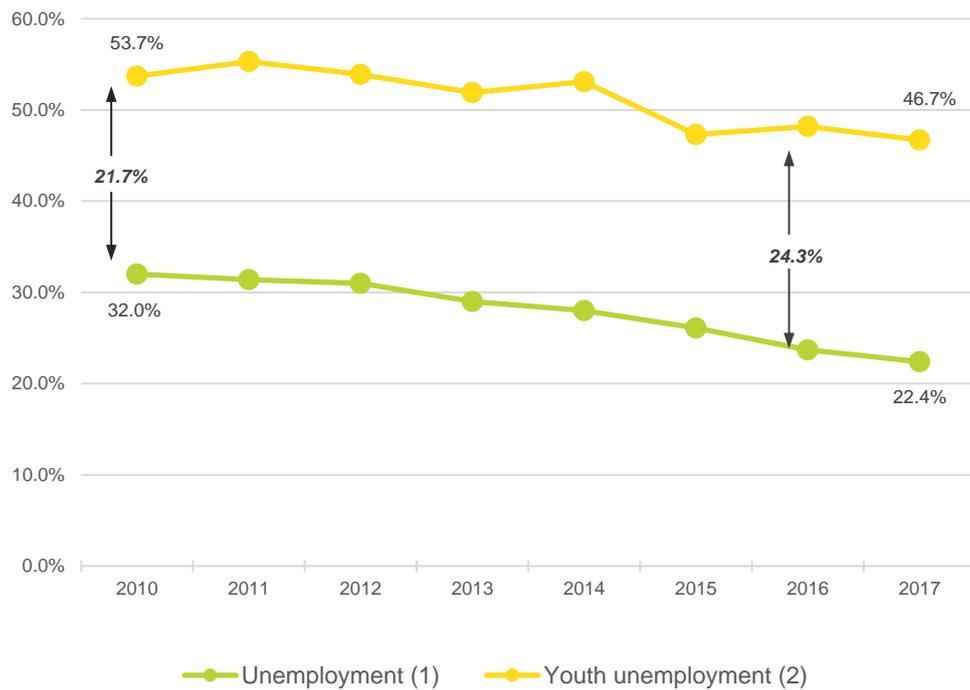
In North Macedonia, this problem has several features which may be of significance for policy decisions: it is persistent, it is acute (the rate of unemployment is much higher than in other countries in the region), and it is unresponsive to the education and training provided to young people at the time of this assessment.

In terms of persistence, between 2010 and 2017 an average of 51.3% of the youth population in North Macedonia was unemployed⁵⁵. In fact, the gap in unemployment of adults and young people has widened since 2010 to 24.3% in 2017, an indication that young people were more than twice as likely to be unemployed than adults (Figure 8). It appears that the better employment opportunities created by the economic growth of recent years did not benefit the young population to the same extent as adults. Further, the vast majority of young jobseekers in 2017 were long-term unemployed (six months or more): some 59 847 out of a total of 81 717 unemployed people were below the age of 25 and 34 490 of young people below the age of 25 had been looking for a job for at least four years or longer (Figure 9).

54 NRF C.1.6.

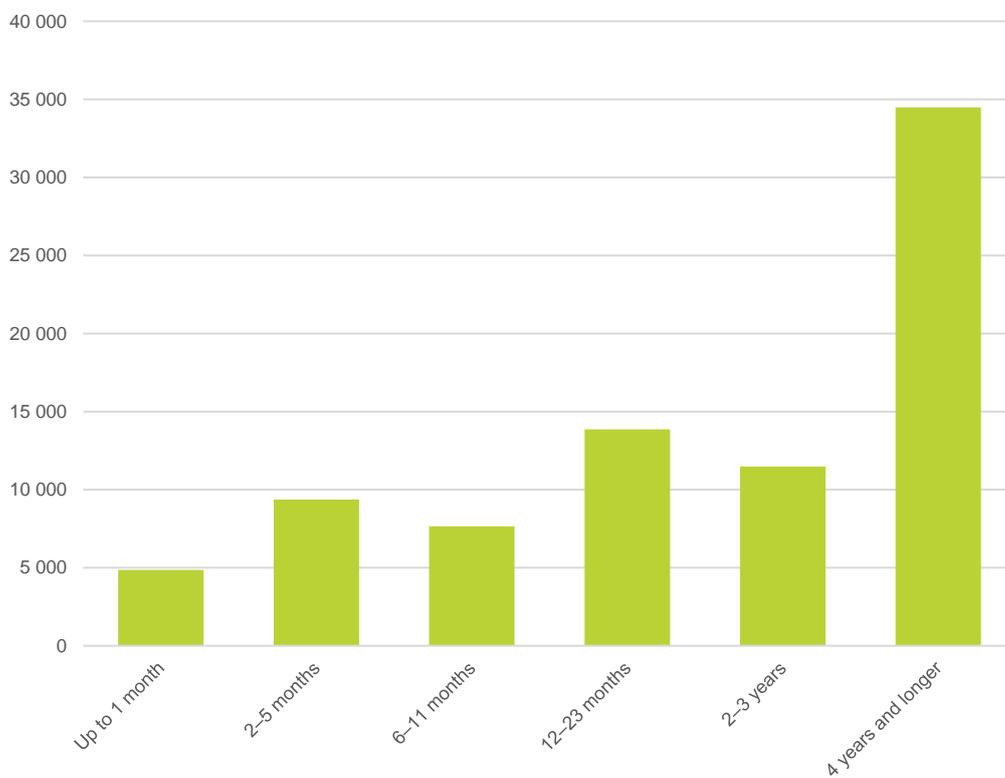
55 Age group 15 to 24.

FIGURE 8: UNEMPLOYMENT AND YOUTH UNEMPLOYMENT RATES (2010–2017)



Notes: 1. Age group 15 to 74; 2. Age group 15 to 24.
Source: ETF database.

FIGURE 9: YOUTH UNEMPLOYMENT BY DURATION (2017)



Source: Calculations based on Makstat (2017).

Youth unemployment is not only a Macedonian challenge; it is also a European, even global challenge (Görlich et al., 2013). In North Macedonia, however, it stands out because it is particularly acute in comparison with other countries in the region which are at a comparable level of economic development. This is also true for the rate of young people who are not in education, employment, or training (NEETs). To the extent that such comparisons are possible, Table 9 shows a regional average of 32.5% for youth unemployment and 21.8% for the rate of NEETs, which is considerably lower than in North Macedonia (46.7% and 24.9% respectively). In the region, only Albania has a higher rate of NEETs (25.9%), but also a lower rate of youth unemployment than North Macedonia (31.9%).

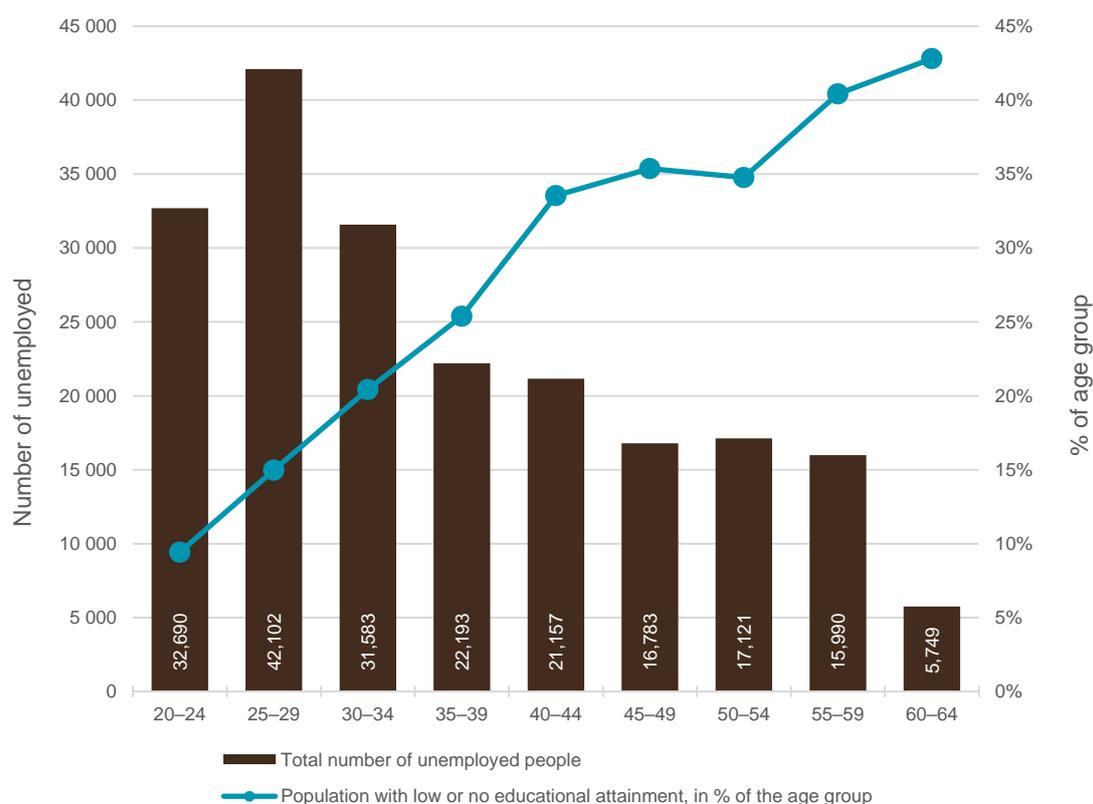
TABLE 9: RATE OF YOUTH UNEMPLOYMENT AND NEETS, MACEDONIA, SOUTH EASTERN EUROPE AND TURKEY REGION (2017)

	Youth unemployment rate (15–24) [%]	Persons not in employment, education or training (15–24) [%]
North Macedonia	46.7	24.9
Regional average	32.5	21.8
Albania	31.9	25.9
Serbia	31.9	17.2
Montenegro	31.7	16.7
Turkey	20.5	24.2
EU average	16.8	10.9

Source: ETF database.

A remarkable feature of unemployment in North Macedonia is that it disproportionately seems to affect the younger cohorts of working age, who also happen to be better educated in terms of educational attainment than older workers. Figure 10 shows that people aged 20 to 29 are the least likely to have no or low education, but also that they are the most likely segment of the workforce to be unemployed. There are other causes than a lack of education and training to youth unemployment, such as modest rate of job creation, uneven distribution of demand, etc. However, taking account of these other factors, it is reasonable to interpret this finding as indicating that the sector of education and training may be failing in at least one aspect of its public mission, namely to ensure that young people are employable and ready for a professional future.

FIGURE 10: NUMBER OF UNEMPLOYED PEOPLE AND SHARE OF THE POPULATION WITH LOW OR NO EDUCATION, BY AGE GROUP (2017)



Source: Calculations based on Makstat (2017).

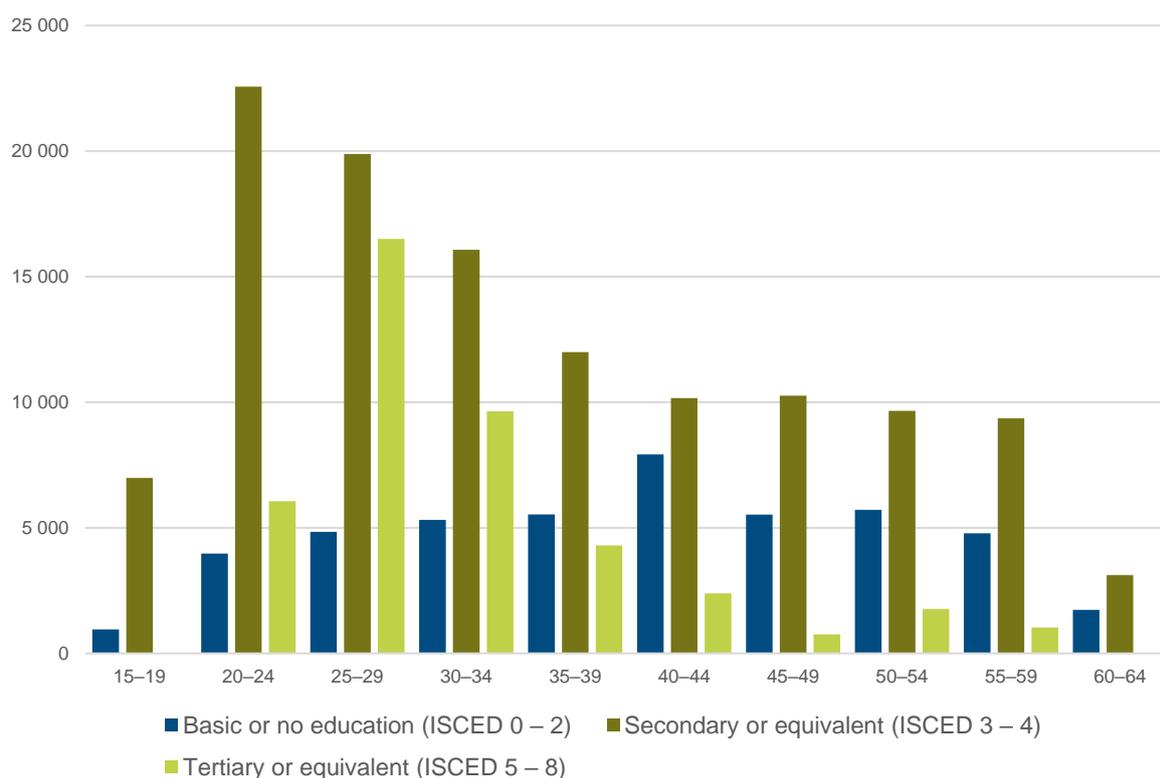
A breakdown of this data reveals that a secondary education degree (general or VET) is a strong predictor of problems with employability across age groups, stronger than a higher education credential or low educational attainment (Figure 11). The data also shows that secondary education is predominantly failing young people, as most unemployed people below the age of 30 are secondary education graduates. International studies also document that the school-to-work transition of graduates from formal education to first-time employment in North Macedonia is remarkably long and difficult (Mojsoska-Blazevski, 2016).

This is an important finding because it suggests that youth unemployment in North Macedonia is not only a labour market challenge, but also an educational challenge which can be addressed through improvements in education and training. Considering that resources in that sector are tight⁵⁶, it is also important to ask how education and training contribute to the problem.

The analysis of responses in the NRF as well as some data suggest that the employability of young people is affected by several interconnected factors pertaining to education and VET. These include low responsiveness to external demand, limited exposure to the world of work, poor management of human resources (teachers), limited career guidance for students, and biased classroom assessment. Further detail and the national policy responses to these problems are analysed in Section 3.2.2.

56 NRF E.4.1.

FIGURE 11: UNEMPLOYED BY AGE AND EDUCATIONAL ATTAINMENT (2017)



Source: Calculations based on Makstat (2017).

3.2.2. Policy responses

Priorities and effectiveness

According to research, youth joblessness is strongly correlated with general unemployment and inactivity, which means that the effectiveness of any policy solution will depend on the macroeconomic environment and whether it creates jobs for young people (Coenjaerts et al., 2009). Beyond that, measures addressing youth unemployment would usually differ depending on whether they aim at pre-empting unemployment by supporting young people still in formal education, or whether they are remedial in nature, meant to help young adults who already possess an education credential or lack education and might have registered as jobseekers (OECD, 2006).

The Government of North Macedonia has oriented most of the discussion about solutions towards young graduates. The Economic Reform Programme has a number of references to youth unemployment as a policy priority⁵⁷, the most notable of which is the so-called Youth Guarantee. The initiative was in its second year of implementation at the time of this assessment and it envisaged that each young person under the age of 29 will be given a job offer, an opportunity to continue education, or will be included in internship or training measures in preparation for employment⁵⁸.

To achieve these objectives, the Economic Reform Programme describes three pillars of activities for young jobseekers, which aim at early intervention, identification of risk, and inclusion/activation towards integration in the labour market. The activities include information and awareness-raising

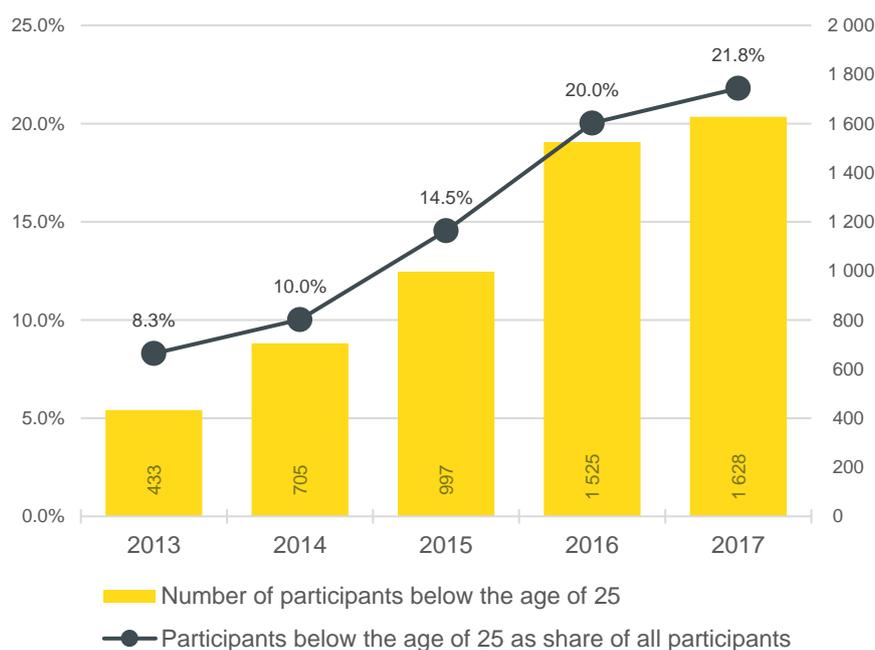
⁵⁷ See for instance Sections 4.1, 4.2, and 4.3.1.

⁵⁸ Economic Reform Programme 2019–2021, Measure 17.

meetings, career guidance in primary and secondary schools, employment fairs, and better processing of data on labour market demand. An additional priority is to identify and reach out to NEETs, although the actions in this area are somewhat less clear-cut⁵⁹.

The priorities in the Economic Reform Programme are detailed and are being implemented against the backdrop of an overall intensification of provision of ALMPs by the national Employment Service Agency⁶⁰. The measures have contributed to a substantial increase in participation of jobseekers under the age of 25, from 8.3% in 2013 to 21.8% in 2017 (Figure 12).

FIGURE 12: PARTICIPANTS IN TRAINING PROVIDED BY THE LABOUR MARKET SERVICES, TOTAL NUMBER AND AS SHARE OF TOTAL (2013–2017)



Source: ETF database.

While this data can be interpreted as a sign of progress with the implementation of ALMP priorities for young people, it is not known how many of the young beneficiaries have found formal employment as a result of their participation in ALMP measures, and also what impact these measures might have had on shortening the excessively long period of their transition to employment.

It is likely though that the reported difficulties of public bodies to capitalise on the data they possess on labour market demand have a negative impact on the effectiveness and outreach of policy actions involving education and training, which in turn may be limiting the effectiveness of training as a remedy for youth unemployment. A further shortcoming is that the training component of measures in support of young jobseekers is selective: the training predominantly benefits those with higher education who are between jobs, seemingly at the expense of those who are long-term unemployed and less educated⁶¹.

59 Ibid.

60 NRF B.1.6.

61 See also Section 3.1.2 of this assessment and NRF B.1.6.

Shortcomings and policy gaps

Measures addressing youth unemployment would usually differ depending on whether they aim at pre-empting unemployment by supporting young people still in formal education, or whether they are remedial in nature.

It is concerning to note that the majority of policies targeting youth unemployment in North Macedonia are designed to support unemployed graduates, that is people who are not in formal education anymore. There are considerably fewer measures to reinforce the employability of young people still in formal education, despite the fact that in 2015, the National Employment Strategy 2016–2020 as well as other, pre-accession and national strategic documents committed to addressing some of the causes in education and VET which limit the employability of future graduates⁶².

Unfortunately, four years later, the NRF provides little to no evidence of progress at the system level for these and related areas, perhaps because they imply potentially far-reaching, complex and time-consuming changes in education and VET. The following sections provide an overview of gaps, which at the time of this assessment were still among the major causes of unemployment risks for young people in formal education.

Low quality and limited responsiveness and exposure of initial VET to the world of work

There is evidence of a number of structural problems that hinder the responsiveness of VET to demand from employers, limit the exposure of its students and teachers to the world of work, and reduce the quality of provision.

The first of these problems is limited capacity in the sector of education and training to use the otherwise well-developed system for labour market intelligence and the evidence it delivers. With the help of donors, various ministries and donors in North Macedonia have invested in a range of systems for the collection of labour market data which include regular occupational outlooks, labour market forecast models, surveys of employers, and a Skills Observatory⁶³. However, the Ministry of Education and Science and its subordinate agencies do not seem to have sufficient capacity to process the wealth of the evidence into analysis, informed decisions, and guidance for education providers and professionals. In other words, those in charge struggle to connect the realms of work and education/training through data that is already in their possession⁶⁴.

The second structural problem which hampers responsiveness and exposure of VET to external demand is neglect for the working conditions of teachers, which effectively prevents them from being receptive and supportive to change and improvement. The NRF reports of old and missing equipment, ill-maintained physical infrastructure, and classes which are too big for practical training⁶⁵. There is also still a shortage of up-to-date teaching materials and no clear guidance on how to combine theoretical and practical training in practice⁶⁶.

The situation is further aggravated by the low quality of student intake, which may comprise low- and lowest-performing students, in an education system which is low performing to begin with⁶⁷, as well as

62 For instance, there are plans to improve the responsiveness of VET to labour market demand, revise VET curricula to make them more relevant, strengthen the career guidance system in schools and universities, and improve work-based learning.

63 See NRF D.3.2 for an overview.

64 NRF B.1.7.

65 NRF D.1.2.

66 NRF D.1.3.

67 In 2015, the percentage of low performers in science, mathematics and reading was among the highest in PISA-participating countries and economies. For more on this, see OECD (2016).

by rigid recruitment and remuneration policies, which discourage practitioners from entering the teaching profession⁶⁸ and do not reward practical training⁶⁹.

There are also indications of problems with the content of study programmes in VET and general education, which are overburdened and outdated, and in VET have a disproportionate focus on general education subjects. According to national sources, vocational subjects account for only 52% of the curriculum in VET (compared to 70% in the EU on average), while the number of general education subjects is about 42%, which is the highest in Europe (see MESRM, 2018, chapters 5.3.2 and 5.4.2).

A source of significant difficulties for VET is also the limited exposure to the world of work of students, teachers, and curriculum planners in VET, a problem which is also discussed in the reporting of North Macedonia in the five Riga priority areas (see ETF, 2019a). Practical training accounts for only a fraction of the programme content (as low as 6% in some areas) and it is not compulsory; there is also a governance challenge as there is no systematic approach to the involvement of companies in the provision of work-based learning (WBL) or the planning of VET content. Even though the legislation guarantees that companies which accept pupils for practical training can have a tax relief and similar benefits, still, many employers chose not to do so because there is a lack of incentives (see ETF, 2019a). Companies also have no capacity to take part in relevant delivery components, such as WBL or internships.

Furthermore, teachers have a disincentive to offer practical training because they are paid less for it than for teaching theory and academic subjects⁷⁰. Even for teachers who teach the theoretical content well and might offer practical training, there is no system for appraisal and rewards for good-quality work, for instance in the form of career progression and/or better remuneration⁷¹.

Weak management of human resources in education and VET

A prominent point of concern mentioned in the national report of North Macedonia is the quality of teaching. Teachers are the most valuable asset in an education system (OECD, 2005) and so it is not surprising that their work and its outcomes are a recurrent theme, in this and in the previous rounds of the Torino Process. In the NRF, the prevalence of traditional *ex cathedra* methods of instruction in VET emerges as a major shortcoming, just like the proclivity of teachers for rote learning and factual knowledge instead of the cultivation of analytical and creative skills in students⁷².

The shortcomings concerning teachers and teaching are often discussed as a primary cause for the unsatisfactory quality of VET outcomes⁷³, which includes the limited employability of graduates. However, official planning documents and the NRF itself suggest that the reasons are more differentiated and concern problems with staff leadership and career advancement. The NRF notes the low level of professionalism of VET principals, which has a negative impact on the management of providers and their staff, as well as a career path for teachers which has remained unchanged and rewards tenure instead of quality and achievement⁷⁴.

68 NRF D.2.2.

69 NRF D.2.3.

70 NRF D.1.1, D.2.3 and E.2.2.

71 NRF D.2.4.

72 NRF D.1.1.

73 NRF D.3.1.

74 NRF D.2.4 and D.2.6.

Limited career guidance for students

In 2015, North Macedonia amended its Law on Secondary Education to establish career centres in schools, and in 2017 it introduced career centres at universities. At the time of this assessment, there were a number of education institutions with operational career centres, most of which were established with donor support.

Nevertheless, the Education Development Strategy as well as the NRF remark that limited provision of career guidance is among the key reasons for the difficulties of learners to transition to the labour market (see MESRM, 2018, chapter 5.2.2)⁷⁵. Students do not seem to receive guidance on job profiles and qualifications in demand, which can be detrimental for their employment prospects considering the ongoing shifts in the labour market in North Macedonia and the associated changes in job opportunities. A major reason for the limited effectiveness and relevance of career guidance is the absence of reliable information on labour market needs, as discussed above. Another is the limited availability of career guidance services (see MESRM, 2018, chapter 5.4).

A possible proxy of career guidance failure is the degree of mismatch between skills and field of study of young people who found employment, and the requirements of the job they have. Research shows that horizontal or vertical mismatches are common to countries with low selectivity and quality of educational and training programmes (Verhaest et al., 2017), which may include career guidance services for prospective graduates. In North Macedonia, a recent tracer study revealed that less than half of VET graduates who found employment had the knowledge and skills required for their job⁷⁶. Another study suggests that this mismatch is a risk factor in pushing postgraduates into unemployment (Mojsoska-Blazevski, 2016).

Biased classroom assessment

Finally, the deficiencies in internal quality assurance, specifically the assessment of learning outcomes in VET which were discussed in Section 3.1.2, are a prominent, education-related reason for the limited employability of VET graduates as well⁷⁷. The national Torino Process report of North Macedonia suggests that assessment is marked by arbitrariness and that grade inflation is still widespread⁷⁸, which fuels distrust among employers in the quality of learning outcomes in VET.

3.2.3 Recommendations

R.5 Prioritise pre-emptive action against youth unemployment

Section 3.2 has so far discussed how despite a comparatively favourable economic environment, employment opportunities for young people in North Macedonia are hampered, among other things, by an education and training system which lags behind due to structural problems, limited involvement of employers, and difficulties in adjusting to labour market demand.

In the preceding section, this assessment also determined that a major weakness in this respect is that most policies under implementation at the time of this assessment were addressing the needs of unemployed graduates, while pre-emptive actions to benefit young people still in formal education and training are comparatively rare.

This does not mean that authorities, international partners, and practitioners in North Macedonia are neglecting education reform. On the contrary, national policy documents (such as the Education

⁷⁵ See also NRF B.1.2.

⁷⁶ NRF C.3.1.

⁷⁷ NRF C.1.1.

⁷⁸ For an overview of the core elements of quality assurance in VET, see Watters (2015).

Development Strategy or the Economic Reform Programme) and also major donor-supported actions (such as those funded through the Instrument for Pre-accession Assistance or the World Bank⁷⁹) describe and promote numerous actions that aim to improve education and training, and quite a few refer to employability as their strategic goal.

The challenge is rather that, in the view of available financial and human resources in the sectors concerned, the sheer number of priorities and actions appears overwhelming against the backdrop of the financial and human resources available. This in turn affects the likelihood of effective and timely implementation. In initial VET alone, the Education Development Strategy lists a total of 21 priorities and 52 actions that in the next few years need to be translated into structural adjustments and teaching, learning, and management routines. It is also not obvious which of the proposed measures will improve not only education and training, but also the employability of future graduates more specifically, and how.

Thus, the ETF recommends prioritising those existing priorities which international experience shows can be effective in preventing youth unemployment while also being feasible. The next recommendations provide examples of such policy priorities and draw on the ones described in the NRF and national strategic documents.

R.6 Improve career guidance where it is underdeveloped

R.6.1 Ensure better use of evidence and expand access to career guidance

The improvement of career guidance services is among the most prominent, employability-related measures for students in formal education which North Macedonia is implementing, across all levels of education. This is in line with practice in other countries and the EU, which consider career guidance to be among the most essential links between education, training, and the labour market (see ETF, 2011 and Council of Europe, 2018).

However, in North Macedonia the translation of this commitment into reality has been patchy, especially at the school level⁸⁰, hampered by several factors which need a long overdue solution. These include insufficient staffing of career guidance services in schools, which leads to gaps in the availability of that service at the provider level, as well as underutilisation of information about labour market demand.

The ETF recommends the mobilisation of national and donor support and partnerships for the development of capacity and incentives in education and training for the interpretation and use of skills and labour market data for policy planning. The goal of this is to ensure that the information can reach the final beneficiaries – the students – reliably and on time.

The efforts to capitalise on the available evidence on labour market needs must be complemented with expanded coverage of career guidance services to all education providers in the country. In the process, priority should be given to levels of education which are most affected by unemployment risks, which at present is secondary education and VET.

79 See NRF D.1.3 and also NRF A.2.4.

80 See MESRM (2018), chapters 3 and 5.4 and NRF B.1.2 and B.2.2.

R.6.2. Modernise the focus of career guidance in VET

North Macedonia has committed to the promotion of digital literacy and the wide use of information and communications technology solutions in and for education and training. The ETF suggests expanding this priority to include the promotion of digital entrepreneurship as a specific focus of career guidance.

Other countries in the region and in Central and Eastern Europe more broadly are already capitalising on this opportunity (Perryman, 2018), and the EU has declared its support for this policy priority as well (European Commission, 2018b). There is evidence that over the past few years, entrepreneurship is increasingly often complemented by leveraging digital solutions in novel ways, such as social media and analytics, which shifts the traditional ways of starting and doing business, but also opens new opportunities that are accessible to almost everyone (Parker et al., 2016).

R.7 Improve the responsiveness of VET through better quality and stakeholder involvement

The assessment noted a number of structural problems which reduce the quality of provision and learning in VET and its responsiveness to labour market needs. These include sub-standard conditions of teaching and learning and low quality of provision, and limited exposure of students and teachers in VET to the world of work, which in turn limits the responsiveness of the sector to demands from employers. Among the numerous causes for the latter shortcoming are teachers who lack up-to-date practical experience and have no incentives to provide practical training, lack of a systemic approach to the involvement of companies, and limited WBL on offer for students.

To address these shortcomings, concepts were developed along with standards for the implementation of training, and teaching for the trainers from companies who will host the practical training. North Macedonia is also working on the establishment of VET regional centres as a way to modernise and optimise the VET offer.

The ETF recommends complementing these priorities with the following actions:

R.7.1 Open flexible pathways into teaching in VET

To complement the ongoing work on professionalisation of teaching⁸¹, the ETF recommends reconsidering the rules of recruitment of teaching staff in order to open more flexible pathways into teaching for practitioners from the world of work.

Despite demand for practical training, in North Macedonia at present it is not possible to enter teaching with professional experience which is outside education. In contrast, a number of EU countries, such as Austria, Belgium, Finland, Germany, Netherlands and France, offer alternative pathways into teaching in their public schools and especially in VET, where experience in another profession can be a requirement for employment as a teacher. In many countries, one can even start teaching without formal teaching qualifications.

81 NRF D.2.4.

R.7.2 Reassess and improve capacity and conditions for employers' involvement in VET

The ETF also suggests reassessing the conditions of involvement of employers in VET and specifically in the provision of practical training/WBL in order to identify gaps and fill them with clear guidance, described in appropriate legislation. This should include addressing:

- The lack of incentives for employers and numerous open questions concerning the practical implementation of WBL, such as how to connect on-the-job training with the school-based part of the VET programmes, what the distribution or responsibilities for funding are, what the employment status and responsibilities of trainees are, and how their progress and success should be assessed.
- The missing investment in system-level capacity to provide key avenues of engagement, such as WBL, internships, and qualifications system development.

R.7.3 Prioritise work on the national qualification framework as a measure for raising the quality and relevance of VET provision

The national report of North Macedonia notes that in recent years, the authorities have made efforts to increase the involvement of trade unions and employers' organisations and use their input when planning policies for education, including those that are meant to strengthen the link to the labour market, notably through work on the National Qualification Framework (NQF) and the development of occupational standards and mechanisms for practical training⁸². The report also remarks that progress is insufficient and that there is a need to improve the mechanisms of involvement and coordination through further investment in NQF development.

The ETF concurs with this conclusion and suggests prioritising work on the NQF as a major instrument for establishing solid connections between education, training and the world of work, promoting consensus and trust regarding learning outcomes in VET, and promoting stakeholder involvement and transparency for the end-users of VET qualifications.

4. CONCLUSION

The ETF assessment provided an overview and analysis of selected challenges with human capital development and use in North Macedonia and offered recommendations on how education and training can contribute to their resolution.

The assessment established further that the country has made significant economic progress which has fuelled demand for skills and the creation of jobs. However, it also noted that the socioeconomic context in which human capital is being developed and used remains volatile. Combined with unsatisfactory quality and outreach of education and training, this reinforces an inequality of chances for decent employment and prosperity for large segments of the population. Among the most affected are those with a low level of education and skills, as well as young people.

Authorities and stakeholders in North Macedonia are aware of the challenges and have put in place focused and ambitious plans for improvement. Many of these plans rely on cooperation and partnerships across sectors of the economy and the public domain. The report established that the potential of education and training to contribute to the fulfilment of these plans is hampered by

82 NRF B.1.7.

persistent structural and policy shortcomings within the sector, and by limited capacity for cooperation with external stakeholders and the labour market.

The analysis in this report concluded with several recommendations on how to remedy these shortcomings in view of reinforcing the contribution of education and training in addressing challenges with human capital in North Macedonia. The annexes that follow summarise these recommendations. They also provide an overview of outcomes of independent consultations with national stakeholders on how to translate the recommendations into a roadmap for strategy implementation and donor planning.

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ANNEX 1. SUMMARY OF RECOMMENDATIONS

Human capital development and use problem	Recommendations		
	No.	Recommendation	Description
Low educational attainment	R.1	Improve the reliability and accuracy of quality assurance in Vocational Education and Training (VET), in particular of classroom assessment	<p>Aim to better link the standards of learning and achievement in different subjects, the grading criteria, and the assessment practices of teachers.</p> <p>This may also require a revision and update of the grading scales and channels for reporting student success, and the introduction of cooperation modalities between teachers who assess students.</p> <p>Reassess whether the choice of subjects and the achievement requirements at the graduation exams are fair to what VET students are learning and if not, consider making changes.</p>
	R.2	Ensure that adult education and training (AET) supports strategic priorities of the country	<p>Ensure that AET provision is aligned with national strategic priorities concerning human capital development, such as second chance (remedial) education and the eradication of adult illiteracy.</p> <p>To that end, consider reinforcing the involvement of public providers in AET to create an additional channel of monitoring and steering of developments in that domain, strengthen institutional capacity for the coordination of AET, and introduce incentives, for instance tax breaks, for private providers which offer training in line with national priorities for human capital development.</p>
	R.3	Reinforce the quality and transparency of private provision of adult education and training	<p>The European Training Foundation (ETF) recommends a stronger, more coordinated approach to the regulation of private providers of AET, strengthening of the institutional capacity for the coordination of AET, introducing baseline criteria for institutions (public and private) which wish to become providers, and upgrading the mechanism of verification into a system of licensing and external quality assurance for adult education.</p>
	R.4	Capitalise on the existing knowledge and skills of the population	<p>The ETF recommends sustaining and reinforcing the activity of the Council on Adult Education, which has initiated work on a system for the validation of non-formal and informal learning in the country.</p>
Persistent youth unemployment	R.5	Prioritise pre-emptive action against youth unemployment	<p>The plans for VET and education reform are comprehensive, but for the sake of feasibility, the ETF recommends prioritising those items which international best practice shows can be effective in preventing youth unemployment through education and training.</p>
	R.6	Improve career guidance in schools	<p>R.6.1 The ETF recommends that the authorities responsible for labour market policy mobilise donor support and partnerships for the development of capacity for processing of labour market data, in view of using it to inform career guidance services and make them more reliable and accessible.</p> <p>In addition, access to career guidance services should be expanded specifically to secondary schools, where the need for orientation seems to be greatest.</p> <p>R.6.2 The authorities should modernise the focus of career guidance by expanding the promotion of digital literacy and including digital entrepreneurship as a specific focus of career guidance. This is in line with existing national and regional priorities.</p>
	R.7	Improve the responsiveness of VET through better quality and involvement	<p>R.7.1 The ETF recommends reconsidering the rules of recruitment of teaching staff in order to open more flexible pathways into teaching for practitioners from the world of work.</p> <p>R.7.2 The conditions of involvement of employers in VET and specifically in the provision of practical training/work-based learning (WBL) should be reassessed to identify gaps and fill them with clear guidance described in appropriate legislation on how this priority should work in practice. There should also be an additional investment in system-level capacity to take part in delivering VET, such as WBL, internships, or contributions to qualifications system development.</p> <p>R.7.3 A major part of the recommended package of measures is prioritising work on the national qualification framework as an instrument for establishing solid connections between education, training and the world of work.</p>

ANNEX 2. THE EDUCATION AND TRAINING SYSTEM OF NORTH MACEDONIA

Vocational Education and Training (VET) in North Macedonia is one of the four streams of secondary education, which also include general secondary education, art schools, and education for students with special educational needs. In 2016/17, North Macedonia had 90 VET institutions and general education schools providing VET programmes. These employed about 4 265 VET teachers and trainers, the majority of whom (64%) were mid-career to senior professionals aged between 30 and 49. Enrolment was some 42 500 VET students, which is around 59% of total enrolment in secondary education in that year⁸³. Most of the VET providers (87) offered secondary VET programmes lasting two to four years (ISCED 3)⁸⁴. Post-secondary VET (ISCED level 5) was provided by only three VET institutions (Tables A.2.1 and A.2.2).

TABLE A.2.1: VET PROVIDERS IN NORTH MACEDONIA, TOTAL NUMBER (PUBLIC AND PRIVATE), 2014/15–2016/17

	2014/15	2015/16	2016/17
Total number of VET providers	86	90	90
of which			
Post-secondary VET	2	3	3
Secondary VET*	84	87	87

Note: * Secondary schools with vocational education classes.
Source: ETF database.

TABLE A.2.2: ENROLMENTS IN SECONDARY EDUCATION BY PROGRAMME ORIENTATION

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
General secondary education	36 353	35 123	34 038	32 296	31 100	28 862
VET	53 531	51 295	49 484	47 999	45 294	42 596
of which						
Three-year programmes	3 901	3 376	3 186	3 126	3 053	2 922
Four-year programmes	49 630	47 919	46 298	44 873	42 241	39 674

Source: ETF database.

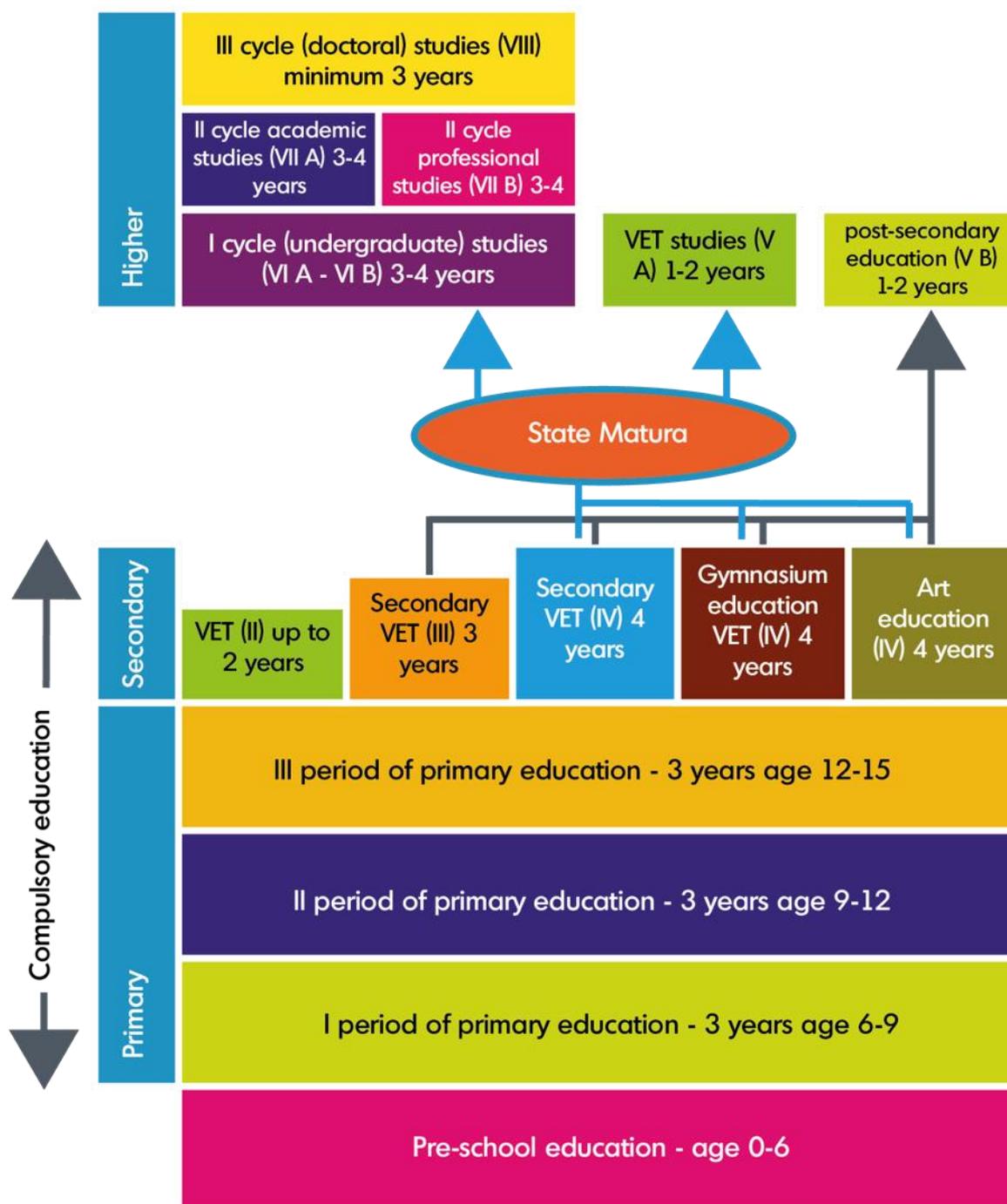
All secondary vocational programmes start after grade 9 at the theoretical age of 14 or 15 and are compulsory. The two-year programmes are part-time and lead to a diploma certifying completed secondary vocational education. The diploma gives access to employment or to the other, full-time vocational programmes of three or four years. Successful completion of a three-year occupational programme leads to a diploma as well, which gives access to a four-year programme or to post-secondary education programmes at ISCED level 5. Finally, the four-year programmes lead to a School Matura, which gives access to post-secondary education at ISCED level 5, or to a State

83 National Reporting Framework (NRF) Section C.3.1.

84 ISCED version 2011.

Matura, which qualifies the graduates to apply to tertiary education institutions. Figure A.2.1 provides an overview of the structure of the education system.

FIGURE A.2.1: STRUCTURE OF THE EDUCATION SYSTEM OF NORTH MACEDONIA



Note: The ISCED levels used in the source correspond to the ISCED 1997 classification. For information on the correspondence between ISCED 1997 and ISCED 2011 see *International Standard Classification of Education ISCED 2011* (UNESCO Institute for Statistics, 2012), Section 10.

Source: *Education Strategy for 2018–2025* (Ministry of Education and Science of the Republic of Macedonia, 2018).

Beyond the formal and compulsory system, lifelong learning and adult education in particular have been declared a strategically important element of education in North Macedonia⁸⁵. Adult education and training may be provided by VET schools or other accredited providers, but 72% of it is non-formal. Today, the authorities still allocate only 0.4% of education expenditure to it⁸⁶.

ANNEX 3. FOLLOW-UP ACTIONS: SUMMARY OF STAKEHOLDER DISCUSSIONS

The half-day discussion meeting with national stakeholders took place on 19 March in Skopje and was divided into three sessions: welcome session, session for the presentation of findings followed by questions and answers, and a session for the discussion and operationalisation of assessment recommendations. The meeting was chaired by the deputy minister for education and science, Mr Petar Atanasov.

This annex presents the outcomes of the third session.

Participants

The discussion meeting was attended by 40 stakeholders, which included representatives of the Ministry of Education and Science and its subordinate agencies, Vocational Education and Training (VET) centres, employers' associations, the chamber of commerce, the business association, as well as an EU delegation and donor representatives (International Labour Organisation, UNICEF, World Bank, and the British Council).

Consultation format

The consultations took part in working groups which were provided with a copy of a recommendation and a summary of the analysis and findings. They were asked to respond to the following guiding questions as a group and present the answers to the plenary:

1. Do you agree with the analysis and findings?
2. If yes, do you agree with the recommendation?
3. If yes, what actions would you propose to implement it and by whom, and is there a risk of failure?

The results were recorded by a note-taker and on flip-charts, which were then translated into English and used for this summary.

Consultation outcomes

Groups 1 and 5: Improve reliability of accuracy of quality assurance (assessment) in VET

Two groups chose to work on quality assurance and classroom assessment in VET.

Group 1 agreed with the analysis and the recommendation and remarked that the low quality of student intake is a major challenge for the reliability of quality assurance in VET.

⁸⁵ See *Adult Education Strategy 2016–2020* at http://www.mon.gov.mk/images/AE_STRATEGY_MK_Final_1-min.pdf, Section 1.1 (accessed on 30 January 2019).

⁸⁶ NRF A.3.4.

The group formulated the following actions: revision of grading criteria to improve trust in the learning outcomes of students; introduction of regular evaluations of quality assurance standards which involve the schools and external stakeholders (employers); provision of training for mentors in companies and for teachers, as well as the development of self-assessment tools for students; reduce the size of classes to improve the conditions of teaching and assessing; and monitor schools in order to take their conditions into consideration when discussing their performance.

The group also agreed that the success of these actions may be put at risk because of difficulties ensuring the regularity of evaluations and updates of assessment criteria and procedures, absence of instruments for assessing the work of mentors, weak system of professional development for teachers, as well as large discrepancies between providers in the conditions of teaching and learning.

Group 5 confirmed the, but participants also remarked that the narrative does not refer to recent activities on introducing and promoting a learning outcomes approach in VET. As to the recommendations, the group noted that ensuring the neutrality of assessment is not only a task for the schools, but a responsibility that must be shared between all parties involved: schools, parents, students, and teachers.

The group formulated the following actions: train teachers and include all stakeholders to provide them with common ground for cooperation afterwards; develop tools for self-assessment of teachers and students; promote communication between stakeholders; introduce flexible and simplified mechanisms for the definition and updating of learning outcomes; and develop a new system for the involvement of employers in the assessment of schools performance. To enhance cooperation, a representative from the business association suggested making student logs digital and thus accessible to teachers and mentors in the company.

The success of these actions may be put at risk through unclear distribution of responsibilities for cooperation in the VET providers, missing incentives for employers to engage in these actions, and absence of proper feedback mechanisms about the quality of cooperation around assessment.

Group 2: Align adult education with the strategic priorities of the country by strengthening public education sector involvement

The group agreed with the analysis and the recommendation but remarked that the public sector should be involved in a comprehensive way, also in a stronger supervisory function and at the local level in the definition of adult education (AET) programmes.

The group formulated the following actions: speed up the verification of programmes and reduce the time lag in aligning the AET offer with the labour market needs; simplify and 'lighten' the process of verification of programmes and providers, making it easier to extend their duration beyond the nominal duration stipulated in law; prepare books and manuals for priority training; harmonise the AET offer and give preference to supporting training offerings which contribute to employability; set up a coordination body for AET and involve the local economic councils in planning priorities for AET provision at the local level; and provide support and preferential access for people from vulnerable groups, for instance by involving non-governmental organisations who work with them.

These actions may be put at risk due to capacity limitations, including the absence of appropriate bylaws. The group did not identify other risks to implementation.

Group 3: Open up VET to the world of work and remove barriers to external involvement

The group confirmed the analysis and the recommendation but remarked that the issue is complex and that the solutions should be approached in smaller steps.

The group agreed on dividing the actions into three major areas of follow-up: staff policy by opening of flexible pathways for teachers to move between the world of work and VET; programme revision to introduce more flexibility for adjustments between theoretical and practical content and avoid overly narrow specialisation by students; and create partnerships by rebalancing the conditions of involvement of employers, with a focus on partnerships and distribution of responsibilities between the Ministry of Education and Science, Ministry of Labour, and the chambers of commerce.

These actions may be put at risk due to failure to define clear distribution of responsibilities between all sides involved, the absence of a reliable legislative and practical basis when redesigning the cooperation modalities, and the challenge of diversity when adjusting curricula to the needs of individual sectors.

Group 4: Strengthen career guidance in schools through evidence and better access

The group agreed with the analysis and the recommendation and noted that all aspects of relevance are covered, and that they acknowledge the importance of using solid data for decisions in the area of career guidance.

The group formulated the following actions: develop a systematic approach to data collection and its analysis, and ensure the sustainability of results of donor-supported projects in that area; determine which sources of data are good and reliable and ensure that parents have access to them so that they take informed decisions about enrolment, in full awareness of the options that may be available after graduation; and establish career centres with specialised staff at the schools.

These actions may be put at risk due to the absence of funding for the continuation of projects, human resource shortages, low wages which leave people without an incentive to try and base their actions on evidence, and inadequate legislation.

ACRONYMS

AET	Adult Education and Training
ALMP	Active Labour Market Policy
ETF	European Training Foundation
EU	European Union
GDP	Gross Domestic Product
ISCED	International Standard Classification of Education
LFS	Labour Force Survey
LLL	Lifelong Learning
MESRM	Ministry of Education and Science of the Republic of Macedonia
NEETs (Young people)	Not in Education, Employment or Training
NQF	National Qualification Framework
NRF	National Reporting Framework
OECD	Organisation for Economic Co-operation and Development
PISA	Programme for International Student Assessment
VET	Vocational Education and Training
WBL	Work-Based Learning

Where to find out more

Website

www.etf.europa.eu

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<https://openspace.etf.europa.eu>

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