

KEY POLICY DEVELOPMENTS IN EDUCATION, TRAINING AND EMPLOYMENT – NORTH MACEDONIA 2022

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EXECUTIVE SUMMARY

The key policy objectives in the education sector of North Macedonia, as described in the Education Strategy 2018-2025 are to tackle the low quality of education and to improve its relevance to labour market needs. This is to be achieved through improved standards, assessments, teacher training and investments in the teaching and learning environment. In addition, the government intends to improve the generally low and uneven education attainment of the population by creating learning pathways in the context of lifelong learning and by improving support for students with special education needs.

The implementation of the Strategy has been carried out through the development of policy documents, action plans and regulatory amendments. The reforms have been supported by a large package of ongoing projects funded by the EU and other international donors and are accompanied by increased funding for capital investments in education infrastructure.

During the past 12 months, reform progress was moderate. Due to the pandemic, the school year 2021/2022 started with a delay. In January 2022, a change of government took place which also resulted in a change of leadership in the ministries in charge of the education and the labour sectors. Political turbulences negatively influenced the parliamentary adoption of new education laws proposed in 2021 (Law on VET, Law on Adult Education, Law on NQF) which are necessary to implement the reforms. Work on the revision of the Law on Secondary Education and Higher Education Law have been launched. The teachers' strike of spring 2022 has likely aggravated pandemic-related losses in student learning.

The core of the reforms in the vocational education and training (VET) sector is the establishment of Regional VET Centres (RVETCs). Three Centres have been established in Kumanovo, Tetovo and Ohrid and the selection of two more is ongoing. RVETCs are meant to feature improved governance arrangements (collaboration with the local industry), improved labour market relevance of programmes, inclusion and lifelong learning (by incorporating the validation of non-formal and informal learning and training offers for disadvantaged groups), as well as focus on quality and excellence. The concept outlining the new functions of RVETCs has been approved and capacity assessments have been carried out. However, the operationalisation of the Centres is stalled by the delayed adoption of necessary laws and bottlenecks in the execution of projects aimed at upgrading their infrastructure. Good progress has been made in increasing work-based learning in VET programmes and the number of classes which participate in dual cooperative training (DCT) has grown from 97 to 225 in one year.

The North Macedonian labour market shares its key characteristics with other Western Balkan economies: low labour force participation rates, particularly among women and youth, high structural unemployment and a high share of long-term unemployment.

North Macedonia was the first non-EU country that implemented the Youth Guarantee (YG) scheme. After a successful pilot, a large rollout followed in 2019 and 2020. These efforts have contributed towards reducing the proportion of young people between the ages 15-29 who were not in employment, education or training (NEET) from 29.7% in 2018 to 24.3% in 2021. The current rate, however, remains high above the 2021 EU average of 13.1%. The government is committed to further enhancing the YG implementation in line with the 2020 Council Recommendation '*A Bridge to Jobs - Reinforcing the Youth Guarantee*', and a new implementation plan for the period 2023-2026 has been prepared.

Positive labour market developments were brought to a halt by the COVID-19 crisis and 2020 saw falling employment rates, including among graduates. The return to growth in 2021 was slower in North Macedonia than in other Western Balkan economies. In 2021, the employment rate did not return to its pre-pandemic level. The government adopted a new National Employment Strategy 2021-2027, with an accompanying Action Plan for Employment 2021-2023. The focus of the strategy in the first years is to mitigate the impact of the pandemic. The strategic objectives formulated to tackle the structural challenges relate to: (1) improving the quality of education and learning outcomes; (2)

enhancing the role of economic and enterprise development policies in generating decent jobs; and
(3) strengthening the inclusiveness of labour market policies.

1. KEY POLITICAL, DEMOGRAPHIC, ECONOMIC AND SOCIAL CHARACTERISTICS

Political developments

As a result of a major loss in the local elections, the Prime Minister Zoran Zaev stepped down in December 2022 and was replaced by former Deputy Finance Minister Dimitar Kovacevski. The pro-EU social-democrats party remains in power with a weak majority.

North Macedonia has been an EU candidate country since 2005. The end of the dispute with Greece over the country's name in 2018 (the 'Prespa agreement') and the comprehensive reform progress positively influenced the country's prospects for international integration. In 2020, North Macedonia became a full member of NATO and the European Commission presented a draft framework for EU accession negotiations. However, the opening of membership talks was blocked for 2 years by Bulgaria, which demanded acknowledgement that the Macedonian language and identity have Bulgarian origin. In the summer of 2022, the two countries reached an agreement and the Bulgarian veto was conditionally lifted and EU accession negotiations were officially launched on 19 July 2022. However, the constitutional changes, which would be required from North Macedonia to fulfil the agreement, are contested by the opposition (Deutsche Welle, 2022).

Demographics

In September 2021, a long-awaited census was held (the previous one was carried out in 2002). The results revealed that in the last twenty years, the population has decreased by a substantial 9.2%. The total resident population is 1 836 713. The ethnic composition has not changed much since the 2002 census. Out of the total resident population, 58.4% declared themselves as ethnic Macedonians, 24.3% as ethnic Albanians, 3.86% as Turks, 2.53% as Roma, 0.47% as Vlachs, 1.3% as Serbs and 0.87% as Bosnians. In addition, 3 504 persons identified themselves as Bulgarians.

North Macedonia is an ageing society. The proportion of young people aged 15-24 in the total population declined from 22% in 2010 to 17.4% in 2020. During the same period, the proportion of old people increased steadily. In the next 30 years, the working-age population (i.e. persons aged 15-64) is expected to decline by 21% (MoLSP, 2021).

A recent study on migration (ETF, 2021a) indicates that, based on the Macedonian migratory stock from destination countries, 658 000 Macedonians lived abroad at the end of 2019, which corresponds to 32% of the domestic population. Despite the fear of a 'brain drain', most emigrants have low levels of education, followed by people with a medium level of education. However some professions, such as those in the medical sector, are currently experiencing a major shortage of highly skilled personnel. It is mostly young people who migrate, as they are looking for jobs and better public services. The same study also registered signs of a 'brain gain', with young people returning to North Macedonia after graduating abroad. Nevertheless, migration is pervasive and is depleting the Macedonian labour force.

Key economic developments

The government has been pursuing a growth strategy through exports. Tax exemptions, free trade zones and various forms of state subsidies to companies have attracted higher levels of foreign direct investments. By bringing in foreign companies from a broad range of industries, North Macedonia established itself as a regional manufacturing hub. In 2021, industry contributed to 21.5% of the gross value added and almost 31% of employment. The manufacturing activities of foreign companies have positively influenced the share of higher value goods and the use of medium to medium-high technology in total production. Nevertheless, labour-intensive industries and low productivity dominate. The linkages between investors and domestic companies remained low and the production in the

economic zones largely remains dependent on imported products. The innovation performance remains modest and stands at 45.6% of the EU average (European Innovation Scoreboard, 2022).

In 2021 the service sector had a 55.9% share in gross value added and 58% in employment. The export of services has been growing, with tourism and transport contributing the most. Service exports in the areas of telecommunications, IT and business services have some growth potential. The share of agriculture in the economy is gradually falling. In 2021, the agricultural sector contributed to 7.6% of the gross value added and 11.1% of employment.

In the pre-pandemic years, North Macedonia showed a good record of fiscal stabilisation. Both the budget deficit and public debt decreased, allowing for some expansion of state support for companies and socially disadvantaged groups. Employment rates and wages were rising slowly although the rising wages were not matched by corresponding growth in productivity.

The COVID-19 pandemic led to an economic recession, resulting in a -6.1% contraction of GDP in 2020 (Eurostat). Six government support packages have mitigated the impact of the crisis. In 2021 the recovery stood at 4% and was lower than those of other Western Balkan economies. Growth was mainly in services, while industry did not recover, mainly due to global issues in automotive industry value chains and reduced export demand. Following the Russian aggression in Ukraine, further recovery forecasts for the country have been revised downwards (World Bank and WIIW, 2022), particularly in light of rising inflation, reaching an all-time peak in the summer of 2022, further disruptions in global supply chains, the energy crisis (North Macedonia is a net energy importer) and political instability.

The State Statistical Office (MAKSTAT) estimates that the informal economy accounts for 17% of GDP and 18% of total employment (MoF, 2022). The informal economy is undermining the tax base and the government's efforts to improve productivity. The government's support measures adopted during the pandemic required companies to register, which may have resulted in some reduction in undeclared work. In 2021, the number of new job contracts increased by almost 15% although most of them were fixed-term contracts (World Bank, 2022).

According to National Bank estimates, before the pandemic remittances exceeded EUR 1 billion per year on average, which was around 16% of GDP (NBRM, 2021). Between January and June 2020, remittances declined by 30% year-on-year, but recovered in 2021 (NBRM, 2022). They help alleviate poverty and act as an informal social protection buffer.

The North Macedonian Economic Reform Programme 2022-2024 of January 2022 listed four key structural reform measures: (1) strengthening human capital for inclusive development; (2) fostering the green transition; (3) improving the competitiveness of domestic companies, their integration in the global value chains and formalisation of the economy, (4) improving public finance management (MoF, 2022).

In 2022, North Macedonia was the first country of the Western Balkans to adopt a National Energy and Climate Plan, which provides for the closure of coal-fired power plants by 2027 and their replacement primarily with renewables (The Energy Community Secretariat, 2022), using gas as a transitional fuel.

As in other Western Balkan economies, the skilled population is seen as a precondition for productivity growth, intake of innovation, increased competitiveness and the digital and green transitions.

Key social issues

Poverty rates have dropped in recent years but remain significant. Data from Eurostat (ILC_PEPS01N, 2020) show an at-risk-of-poverty rate of 32.6% (EU average 21.6%). Inequality, as measured through the Gini coefficient, is at a level comparable to the EU. North Macedonia has had the Guaranteed Minimum Assistance (GMA) scheme in place since 2019. Its introduction reduced the fragmentation of the social assistance program. During the pandemic, additional amendments to the Social Protection Law were passed allowing for an automatic relaxation of GMA eligibility in the case of a national emergency. Nevertheless, the COVID-19 crisis had a particularly negative impact on the most

vulnerable population. In 2021, the poverty rate stood at 17.2% and had not returned to its pre-pandemic level (16.5% in 2019), but is projected to gradually decrease further (World Bank, 2022).

In 2019, 27.8% of children were at risk of poverty. Other groups at particular risk include those with low levels of education and the ethnic communities, in particular the Roma. Roma are the most vulnerable and susceptible to discrimination. Their disposable income is less than half that of Macedonians, and substantially lower than that of ethnic Albanians and Turks (Petreski, 2020). Inequalities in income are correlated with inequalities in education, access to the labour market and health (ibid.). Differences in education outcomes persist depending on the ethnic group (OECD, 2020).

In 2021, the government launched a EUR 2 million fund to support Roma enterprises with loans, coaching and business development (EBRD, 2021).

Women's participation in the labour market is one of the lowest in the region: in 2021, it was 22 percentage points lower than that of men (for the age group 15+). Similarly, the gender pay gap in 2019 was the highest in the region (Nikoloski, 2019).

2. EDUCATION AND TRAINING

2.1 Trends and challenges

Education strategy and legal framework for education

The Education Strategy 2018-2025 and its Action Plan covers six pillars of education and a range of objectives: increasing the proportion of children in preschool education; reforming education programmes for compulsory education and orienting them towards learning outcomes; supporting quality teaching materials; orienting VET towards the needs of the labour market; strengthening teachers' competencies; improving management and leadership at central and local levels; and improving assessment systems, particularly for VET students (MoES, 2018). The strategy highlights the need for increased funding of the education sector.

The regulatory framework is undergoing revision. The adoption of new drafts of the NQF Law, Adult Education Law and VET Law has been delayed. Work has started on amending the Law on Secondary Education and the Law on Higher Education.

Education expenditure

Public expenditure on education has been below the average of the EU-27 and of other Balkan countries. In 2020, public expenditure on education accounted for 3.9% of GDP, compared to an EU average of 5% (European Commission, 2022). The Central administration is responsible for capital expenditure on education, while local administration is in charge of recurrent costs, including staff salaries. Municipalities receive their funds through block grants. A new financing formula for primary and secondary education has been developed and a review of the financing of the VET system is ongoing. The new formula will combine standard input parameters and variable components from 2023 onwards, the latter including also school performance.

The 2021 budget prioritised investments to improve the quality of primary and secondary education. Funding for investments has reached a record high. Capital investment projects, including the construction or renovation of facilities, were also expected to rise in 2022. Funds allocated to improving the quality of secondary education were primarily focused on investments in VET (RVETCs). These changes are crucial for enhancing the quality of education and improving student outcomes. However, the management and execution of the investment projects is proving challenging for the administration.

Access, participation and early school leaving

North Macedonia made satisfactory progress in expanding access to education. The proportion of the population with low education attainment levels (age 15+) fell from 42% in 2010 to 31% in 2021. During the same period, the proportion of the population with medium and high attainment increased by 4.2% and 5.9%, respectively. Although the younger population is generally better educated, the gross enrolment rates in secondary education remain below the rates of other Western Balkan countries and strongly below the European average. In 2020, gross enrolment in secondary education reached 79.6% in North Macedonia, compared to 94.28% in Albania, 91.05% in Montenegro and 92.24% in Serbia (UIS, 2020).

Other Western Balkan countries achieve better outcomes with similar levels of spending on education. The OECD argues that the school network needs to be adjusted and increased efforts to be taken to reach out to disadvantaged students who do not participate in secondary education and are under-represented at the tertiary level (OECD, 2019). The World Bank's adjustment of years of schooling by quality of learning indicates a learning gap of 3.7 years in North Macedonia (World Bank, 2020).

The early school-leaving rate fell from 11.4% in 2015 to a record low of 4.6% in 2021, which was below the EU average of 9.7%. The expansion in participation and completion rates was achieved

mainly as a result of the government decision taken in 2008 to raise the mandatory school-leaving age to 18 years. However, this decision was not accompanied by sufficient investments in quality and supervision.

Participation in early childhood and primary education is growing slowly, but registered a drop of over 10 percentage points between 2019 and 2020. In 2020, participation in early childhood and primary education stood at 24.3%, far behind the EU average of 86.6% (Eurostat database, EDUC_UOE_ENRP07) and the rates of some of the regional peers like Montenegro or Serbia (65.6% and 59.9% respectively).

Adult learning participation in North Macedonia increased slightly to 2.8% in 2019, but fell again to 2.5% in 2021, which compares poorly to the steadily growing EU average of 10.8%. The current adult training offer of public VET institutions is limited. In a recent survey conducted by Eurofound and ETF, over half of respondents in North Macedonia reported insufficient access to education and training opportunities (Eurofound-ETF, 2022).

PISA results

PISA results from 2018 show substantial improvements and reduced shares of underachievement in reading, mathematics and science in comparison to the 2015 results. Underachievement in reading fell by 15.6%, in mathematics by 9.2% and in science by 13.4%. However, around 50% of 15-year-old students still do not achieve basic literacy and numeracy skill levels. The performance of Macedonian students remains among the lowest in the region. Among all 78 participating countries, North Macedonia occupied the 68th place. There is a considerable gender gap in the students' performance, as boys score lower than girls.

Young people not in employment, education or training (NEET)

Following the introduction and the subsequent rollout of the Youth Guarantee scheme (for the first time in a non-EU country), the NEET rate for the age group 15-29 fell considerably, from 29.7% in 2018 to 24.3% in 2021. However, it is still much higher than the EU rate of 13.1%.

Female NEET rates are higher than the male rates (26.1% compared to 22.6% in 2021). Inactivity rates were also higher among female NEETs than male NEETs.

2.2 Initial VET and adult learning

Strategic and legal framework for initial VET and adult learning

The proportion of VET students in upper secondary education (ISCED level 3) has remained constant at around 60% over the last decade.

The Education Strategy and Action Plan 2018-2025 include chapters on Education, VET and Adult Learning. The government aims to increase the attractiveness, quality and relevance of VET, introduce standards based on learning outcomes and labour market information, increase work-based learning and invest in human and infrastructural resources. Adult learning is recognised as key for improving the overall educational attainment of the working-age population. The Strategy prioritises the development of flexible, modular education and training offers for adults, the validation of non-formal and informal learning (VNFIL) and awareness-raising activities.

The VET Law adopted in 2006 is the main legal framework for VET. In 2021, a new draft was prepared and submitted for parliamentary adoption. The main changes concern better ways for the inclusion of students with special needs, increased levels of work-based learning and practice-based education, and a separate chapter on Regional VET Centres (RVETCs). These will be the focus of VET reform efforts in the coming years. RVETCs are expected to include both learners with special needs and learners in need of re-skilling and upskilling. They are expected to optimise their resources and provide more training offers that are relevant to regional labour markets and have been identified in collaboration with local employers. RVETCs will include flexible learning options, as well as VNFIL

arrangements. RVETCs should eventually become regional centres of excellence. Major efforts are being made to provide adequate human and infrastructural resources to the centres. This includes needs analyses, equipment procurement and organisational development. Three centres are being established, in Tetovo, Kumanovo and Ohrid. Two more are planned for the coming years.

The Strategy for Adult Education 2019-2023 is aimed at improving the attractiveness and quality of adult education, strengthening the quality of the training offer, developing VNFIL arrangements and improving partnerships. The Law on Adult Education adopted in 2008 has been revised. The main goal was to harmonise it with the Law on the National Qualifications Framework (NQF). Proposed changes aim at streamlining the process of verifying adult training programmes and at providing a conducive framework for VNFIL.

VET governance and financing arrangements

The Ministry of Education and Science oversees the VET system, which falls under the responsibility of the secondary education sector. The Council for Vocational Education and the Council for Adult Education each ensure stakeholder consultation and have advisory roles.

The VET Centre at the national level is mandated to develop occupational, qualifications and assessment standards, set curricula for VET levels 1 to 5, conduct teacher training and organise counselling activities. The Centre cooperates with national and international partners on matters relating to VET system development and monitoring. Its staffing in relation to the mandate is, however, very limited.

The Centre for Adult Education accredits adult training programmes and providers. The State Education Inspectorate carries out inspections in VET, based on the quality indicators developed for schools, while the Bureau for the Development of Education (BDE) is in charge of the general education subjects also taught in secondary vocational schools.

VET in North Macedonia is financed through block grants channelled to the municipalities. Grants are funded based on a formula that includes the number of students, a 20% bonus for VET, plus a weighting factor for students with special needs. Schools are allowed to generate additional revenue, but few actually do so. In 2020, the ETF, together with Helvetas, provided support to a government group in its work on an improved financing system. Recommendations were made on how to rationalise VET financing and link it more closely with system outcomes (e.g. labour market relevance and inclusion). The proposals were developed further, but the implementation of the new formula system, which was initially expected in 2022, has been delayed due to inflation-related adjustments. Since 2021, capital investment for VET has been increasing. A substantial proportion of the planned investment will be channelled to the RVETCs which will feature a new governance and financing model and enjoy greater autonomy.

In the last two school years, the Minister and Deputy Minister of Education and Science campaigned throughout the country to promote partnerships between VET schools, business communities and municipalities and to encourage students to join the work-based learning programmes. In 2021, cooperation agreements on work-based learning were signed with more than 200 companies. The campaign was successfully relaunched in 2022.

The NQF law provides for the creation of 16 sectoral qualifications councils to analyse labour market trends and to propose and evaluate qualifications, of which 11 have been established so far (ETF, 2021b).

Qualifications, validation and recognition

The qualification system reforms are being supported by the ongoing EU Twinning Project to strengthen quality assurance of qualifications and the NQF register, and to speed up the operationalisation of the system, including the development of awareness-building capacities. The most recent recommendations include improvements in the governance mechanism and advice to link the NQF register with the European online platforms (Europass, the Qualification Dataset Register). Particular focus is given to the reform of qualifications in the higher education sectors, which have

progressed somewhat slower than in the VET sector. In 2022, approximately 100 VET qualifications were included in the NQF register.

The VNFIL system is in an advanced stage of development, but not yet operational. The main methodological documents are in place and pilot validation activities have been carried out in 2021 regarding two occupations (ETF, 2021b). The rollout of validation services is pending parliamentary approval of the Adult Education Law.

Quality and quality assurance

The national evaluation system for VET providers is in line with the European Quality Assurance Reference Framework for Vocational Education and Training. It covers seven criteria: curricula and syllabuses; students achievements; learning and teaching; student support; school environment; resources; and management and administration. It is carried out in the form of self-assessment by schools, followed up by an external assessment by the State Education Inspectorate. The Ministry is working to improve this system, with schools currently viewing it mainly as a bureaucratic procedure, rather than a means for allowing continuous improvement. Skills assessments are mostly carried out by the schools themselves. VET students sit the State Matura exam and/or the final VET exam. The VET Centre is currently developing new assessment instruments. The development of a modern quality assurance system in the higher education sector is being supported by the Twinning Project.

The NQF law specifies the procedures for developing and adopting qualifications in vocational education. However, employers consider these to be burdensome. Flexible learning pathways – one of the main aims of the NQF – have yet to materialise.

The system for monitoring and evaluating teachers' performance is undergoing a major reform.

The Centre for Adult Education, Bureau for the Development of Education and VET Centre share responsibilities for developing adult education programmes.

Work-based learning arrangements

In the school year 2021/2022, 86 new classes with a dual training component were launched. Also, 34 programmes for practical education have been revised and 1 384 students enrolled in 44 schools. The government incentivised the participation of students in dual programmes with monthly scholarships of MKD 3 500 (ca. EUR 55). More than 350 VET teachers and about 900 mentors from 500 companies have been trained.

The number of weekly hours for work-based learning has been set to gradually increase from 4 hours in the second year, 8 hours in the third year, up to 10 hours in the fourth year. In addition, the minimum number of days for summer internships has been set at 10 days in first year, 15 days in second year, and 20 days in third year.

The interest of companies has been growing and the number of classes with a dual training component reached 225 in the school year 2022/2023. The current focus of the continuous roll-out of the dual training component is on the further training of vocational teachers and mentors from companies, the adaptation of curricula to accommodate the work-based learning components, as well as on promoting the new programmes among ninth grade students.

Work-based learning arrangements are supported by the long-term, Swiss-funded 'Education for Employment in North Macedonia' project. The current, promising progress with rolling out work-based learning arrangements is reflected in the growing share of young people (aged 15-29) who participate in formal education and work. This indicator has more than doubled between 2020 and 2021 (from 3.3% to 8%), but is still far from the EU rate of 15.2%.

Digital education and skills

In the school year 2020/2021, North Macedonia took part in the EU SELFIE pilot. The COVID-19 crisis revealed the need for digitalising education content but also challenges relating to the 'digital

exclusion' of children from poorer households, Roma children and children with disabilities (Finance Think / Unicef, 2021). The ministry undertook actions to implement the reformed primary education curriculum with some digital content. The transformation of teaching materials will take place in stages, starting from grade four in the school year 2021/2022. The ministry procured 10 000 tablets for socially vulnerable students. The goal is to equip all schools with a library pool of tablets, with installed teaching content being also accessible offline without internet access. In 2021, the ministry developed a comprehensive strategy for the digitalisation of the education sector.

In 2022, the INOVET platform (www.inovet.edu.mk) was launched under the domain of the VET Centre to support the professional development of teachers in vocational education. It features an e-library, information about professional development courses, conferences and opportunities for academic exchange among teachers.

The EU IPA Action 'Improving the quality of education', which was launched in 2021, includes a component aimed at improving the development and implementation of digital skills in education. The project is expected to analyse how distance learning could be implemented in rural and urban municipalities and to develop a new ICT training programme for teachers and teaching assistants.

Statistics on education and training

There is a need to strengthen education planning and policy making by improved data management and analysis.

In 2015, the education management information system was revised and renamed into the Electronic System for Administrative Work of the Schools. The Faculty of Computer Sciences and Engineering (FINKI) was tasked with hosting and maintaining the system. It contains information on schools, classes, students and staff, syllabi and curricula. There are other systems in place such as: E-Gradebook, the NQF register, the National Platform of Adult Education Programmes (<http://cov.gov.mk/all-courses/>) and the National Platform for Distance Learning (<https://lms.schools.mk>), which was used during the pandemic.

The EU IPA action 'Development of the new education management information system' was launched in response to issues regarding low levels of data consistency and accuracy, data redundancy and low levels of utilisation. Its objective is to streamline the currently inconsistent education data systems, migrate data and train end users, namely administrators from all relevant educational institutions, in data collection, processing and report generation.

3. LABOUR MARKET AND EMPLOYMENT

3.1 Trends and challenges

Labour market characteristics

North Macedonia continues to display poor labour market outcomes in terms of activity, employment and unemployment. The low activity and high unemployment rates, in particular among young people, point to persisting structural challenges.

The pandemic has slowed some of the positive labour market trends that had been registered in the years prior to 2020. The activity rate of the population (aged 15+) has since fallen continuously, from 55.5% in 2019, to 54.6% in 2020 and to 54.1% in 2021. In 2021, the activity rate among women amounted to only 42.9%, while that of men was 65.5%. Young women in particular were forced into inactivity during the pandemic. Whereas the male activity rate appears to have rebounded in 2021, the female activity rate has fallen.

The employment rate (aged 15+) fell slightly from 45.7% in 2020 to 45.6% in 2021. This was due to the falling employment rate of women, since the employment rate of men grew, albeit modestly, by 0.2%. The employment gap between men and women remains high, with men having an 18 percentage point higher chance of being employed than women.

In 2021, the number of new employment contracts increased by 15%, signalling increased demand for labour even though most of them are fixed-term contracts indicating a level of uncertainty in the stability of the recovery in light of the energy crisis and rising inflation. Generally, the post-pandemic recovery in 2021 was slower in North Macedonia than in other Western Balkan countries (World Bank, 2022).

Many of the jobs created in recent years relied on government wage subsidies, active labour market measures, public sector jobs and demand created by foreign companies established in special economic zones (OECD, 2021). However, the fiscal space for government support has been shrinking following the pandemic and in light of the energy crisis.

The unemployment rate (aged 15+) has continued to fall, from 16.6% in 2020 to 15.8% in 2021. The decrease was stronger for women, but this was rather on account of their falling activity rate. The unemployment rate remains more than twice as high as the EU average (7% in 2021). As regards youth unemployment, the positive, declining trend has been halted by the pandemic. The unemployment rate among the population aged 15-24 went up from 35.7% in 2020 to 36.4% in 2021, while this rate stood at 16.6% in the EU. High youth unemployment is fuelling migration.

In 2021, the unemployment rate among people with low educational attainment was 23.2%. The unemployment rate for those with higher education was 11.7% and for those with medium-level education 15.6%. Long-term unemployment stood at 12.4% of the labour force (aged 15+), in comparison to 2.7% in the EU. Almost 75% of unemployed people are long-term unemployed, but their proportion has been falling steadily since 2015. Low-educated workers are at the highest risk of long-term unemployment, followed by those with intermediate non-VET qualifications.

The employment rate of VET graduates has fallen sharply, from 49.1% in 2019 to 37.7% in 2021, and remains among the lowest in Europe. Young people face a very difficult transition from education to work.

The employment rate of persons with higher education qualifications is considerably higher than that of persons with low qualifications (70.8% and 21.5% respectively in 2021). The gap between these two groups has been growing over the past 5 years. The employment rate of persons with medium-level qualifications had been growing before the pandemic, but has not resumed the rising trend observed until 2019. In 2021, this stood at 54.4%, 0.6 percentage point lower than in 2020. The

structure of employment by occupation indicates a growing demand for employed people with secondary vocational or higher education.

The labour market is characterised by strong regional disparities with a high employment gap between the best performing southeast and the worst performing northeast regions.

The quality of available jobs remains a matter of concern, with inadequate earnings, unstable and unequal working conditions and a lack of security, which all contribute to emigration. However, the incidence of vulnerable employment has been falling steadily, reaching 12.8% in 2021.

The vertical skills mismatch affects approximately 30% of the working-age population. This is attributed mostly to upper-secondary graduates working in elementary occupations, and tertiary graduates working as sales and clerical workers (MoLSP, 2021).

Labour market and employment statistics

The statistical system of North Macedonia is well-developed and provides data in line with Eurostat methodologies. The Employment Service Agency (ESA) runs regular surveys to identify labour market skills needs. Survey results are used to inform ESA's employment programmes and services.

A system for collecting data on labour demand and forecasting future skills needs is still in the development phase. Tracer studies are not carried out on a regular basis. This limits evidence-based evaluations and policy-making.

3.2 Employment policy and institutional settings

Strategy and legal framework in the employment policy field

The recently adopted National Employment Strategy 2021-2027, together with the Employment Action Plan 2021-2023, have defined the improvement of the quality of education and training outcomes for all as the first employment policy objective. This policy objective includes three targets: a reduction by 5% of the vertical skills mismatch for the population aged 15-64; an increase in the average score of North Macedonian students in the PISA 2025 assessment by at least ten points; and an increase in the share of adults (25-64) in training to 16%. The second policy objective links to the role of economic and enterprise development policies in generating decent jobs and targets innovation, competitiveness, a reduction of informal employment and higher female participation in the labour market. The third policy objective focuses on inclusive labour market policies and sets targets regarding the share of people at risk of poverty (18% by 2027) and the share of workers engaged informally (10% by 2027).

The cost of the strategy is estimated to be EUR 135 million (MoLSP, 2021).

Initiatives to boost employment

The newly introduced Guaranteed Minimum Assistance (GMA) scheme requires labour market activation of the beneficiaries, which put the Employment Service Agency (ESA) under pressure. A major increase in the number of registered unemployed people was recorded in 2020, with almost 50 000 new entries.

The ESA delivers a comprehensive range of modern services, divided into employment programmes and employment services, but Government investment in active labour market policies (accounting for 0.17% of GDP) is insufficient and remains well below the EU average (1% of GDP) (MoLSP, 2021).

Highly intensive employment programmes are offered to approximately 10% of registered unemployed people. In 2021, this included:

- self-employment support,
- job creation support in micro, small and medium-sized enterprises,

- wage subsidies (including subsidies targeting people with disabilities),
- vocational training,
- additional state-of-the-art training in highly sought-after IT skills and in newly emerging areas, such as 'green jobs' or e-commerce,
- internships and additional allowance programmes for hiring young people in the manufacturing sector.

A separate programme in the care sector was aimed at providing training and creating jobs in community work and included support for the establishment of social enterprises.

Employment programmes in 2021 targeted approximately 10 000 persons (ESA, 2021).

Employment services include job search support, motivational training, occupational guidance and career counselling and job mediation. The Operational Plan 2021 placed a special focus on the activation of unemployed Roma and other persons at risk of social exclusion, with particular emphasis on psycho-social support. Additional attention is given to the counselling and motivational support of GMA beneficiaries. In 2019, approximately 14% of the total ALMP budget was spent on vocational rehabilitation and employment programmes for persons with disabilities.

The ESA has a well-developed approach to individual profiling. Services are tiered by client type: standard services are provided for ordinary clients, while clients with major employability challenges receive tailored, more intensive services.

The ESA has a good record of reaching the targets set in its annual plans and of regularly evaluating and revising specific programmes and services. Targeting could be improved through multiple eligibility criteria to reduce the 'creaming' effect. The coverage of unemployed people with employment programmes could be higher if more funding were available (ETF, 2021c).

In 2019, the employment rate at follow-up for participants in active measures was 58.2%, while 29.1% were unemployed and 12.6% were in an unknown destination.

North Macedonia was the first country outside the EU to introduce the Youth Guarantee (YG) scheme, which offers support to young people aged 15-29 who register as unemployed for the first time. Support takes the form of employment, continuous education and training or inclusion in active employment programmes within a period of 4 months after registration. The scheme is coordinated by the Ministry of Labour and Social Policy, while the Public Employment Agency is the body in charge of the implementation. The implementation of the scheme also included plans for outreach activities in collaboration with civil society organisations and partnerships with the Ministry of Education and Science on early intervention measures.

The introduction of the Youth Guarantee was followed by a significant reduction in the NEET rate (aged 15-29), which fell from 29.8% to 26.2% between 2018 and 2020. Most of this positive trend can be attributed to declining unemployment, whereas the decline in the share of the inactive youth among NEETs was modest. This positive trend was reversed in 2020 due to the pandemic, but 2021 has shown a return to declining unemployment and inactivity among NEETs, and as a result a further reduction in the NEET rate to 24.2% (MoLSP, 2022).

The YG Implementation Plan for the period 2020-2022 focused on early intervention, outreach and improving the quality of offers. The scheme was supported by the IPA II 'EU for Youth' programme and was concentrated in the Polog, the Northeast and the Southwest regions, where the shares of NEETs are the highest. In 2021, over 19 200 NEETs registered with the scheme, accounting for approximately 20% of the total NEET population (MoLSP, 2022). Further increases in annual registrations will not be possible without increasing the ESA's budget and human resources capacities.

Since 2018, over 70 000 NEETs registered with the scheme and 38% received an offer of employment, training or a traineeship. The draft YG Implementation Plan 2023-2026 states that around 40% of NEETs who had received a YG offer were in a positive situation 18 months after

leaving the scheme. However, 20% of the beneficiaries returned to the system, which points to the need for further improving the quality of offers. The new plan provides for expanding the quality and quantity of offers. This will be done through an in-depth analysis of data on service delivery, including research into how to better reconcile work and family life (which is relevant in light of the higher share of inactive young women) and into the influence of the social protection system, and by providing additional resources to the ESA.

Initiatives to increase the capacity of the public employment services

The capacity of the ESA is limited by personnel shortages (European Commission, 2022). The ESA budget and special fund have grown steadily over the past 5 years, from EUR 32 million in 2017 to the (planned) EUR 56 million in 2021. The number of employees has also increased. However, the progress achieved does not yet allow for a higher coverage rate, which also remains uneven across regional offices that experience disproportionately high workloads. The latest Strategy reports challenges related to low staff-to-beneficiary ratios (1:226 in 2019 which is twice the international benchmarks), limited funding, reliance on donor projects for staff training and limited investments in IT infrastructure. The staff shortage relates particularly to the lack of psychologists. The challenges result in an uneven service delivery across the country (MoLSP, 2021).

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NORTH MACEDONIA: STATISTICAL ANNEX

EU BENCHMARKS	2015	2019	2020	2021	EU (2021b)
Share of early school leavers (% aged 18-24)	11.4	7.1	5.7	4.6	9.7
Women	12.9	8.4	5.8	M.D.	11.4
Share of those aged 20-29 low-educated (ISCED 0-2)	16.1	10.0	9.0	7.4	14.8
Women	18.5	11.9	10.6	8.6	12.7
Share of those aged 20-24 who attained ISCED levels 3-8	86.5	91.9	93.9	95.1	84.6
Women	85.1	90.1	93.8	95.1	87.1
Share of those aged 25-34 high-educated (ISCED 5-8)	30.6	35.8	37.7	38.1	41.2
Women	37.4	41.0	44.1	45.0	46.8
Participation in formal education (% aged 15-29)	39.2	41.2	40.3	M.D.	39.5
Women	40.8	43.7	43.5	M.D.	41.1
Participation in formal education and work (% aged 15-29)	2.9	3.0	3.3	8.0	15.2
Women	3.2	2.8	3.0	7.9	15.7
Not in employment/education/training (NEETs) (% aged 15-29)	32.5	24.5	26.2	24.3	13.1
Inactive	12.8	11.8	12.9	M.D.	8.2
Unemployed	19.7	12.7	13.4	M.D.	4.9
Men	29.9	20.9	23.6	22.6	11.8
Inactive	5.1	6.5	9.0	M.D.	6.3
Unemployed	24.8	14.4	14.6	M.D.	5.5
Women	35.3	28.3	29.0	26.1	14.5
Inactive	20.9	17.4	17.0	M.D.	10.2
Unemployed	14.4	11.0	12.1	M.D.	4.3
Youth employment rate (% aged 15-24)	17.3	20.7	19.8	17.9	32.7
Women	14.2	15.8	14.3	12.4	30.3
Employment rate of tertiary graduates aged 20-34	48.0	57.2	54.5	M.D.	79.6
Employment rate of ISCED 3-4 VET graduates aged 20-34	45.4	49.1	M.D.	37.7	76.4
Employment rate (% aged 20-64)	51.9	59.2	59.1	M.D.	73.1
Women	42.1	48.4	49.0	M.D.	67.7

EU BENCHMARKS	2015	2019	2020	2021	EU (2021b)
Youth unemployment rate (% aged 15-24)	47.3	35.6	35.7	36.4	16.6
Women	43.3	38.9	38.6	41.3	16.7
Unemployment rate (% aged 15-74)	26.1	17.3	16.4	M.D.	7.0
Women	25.1	18.4	15.9	M.D.	7.4
Lifelong learning during past 4 weeks (% aged 25-64)	2.6	2.8	2.6	2.5	10.8
Low-educated (ISCED 0-2)	0.2	0.2	0.2	M.D.	4.3
Unemployed	2.1	2.9	2.3	M.D.	12.7

The Annex includes annual data from 2010, 2015, 2019, 2020 and 2021 or the last available year.

	Indicator	2010	2015	2019	2020	2021	
1	Total population (in thousands) ⁽¹⁾	2 055.0	2 070.2	2 076.7	2 072.5	2 065.1	
2	Relative size of youth population (age group 15-24 and denominator age 15-64, %) ^{(1)C}	22.0	19.4	17.8	17.4	17.2	
3	GDP growth rate (%)	3.4	3.9	3.9	-6.1	4.0	
4	Gross value added by sector (%)	Agriculture	10.1	9.7	8.1	8.6	7.6
		Industry	21.0	23.9	23.7	22.8	21.5
		Services	55.1	53.7	55.0	56.2	55.9
5	Public expenditure on education (as % of GDP)	M.D.	M.D.	M.D.	M.D.	M.D.	
6	Public expenditure on education (as % of total public expenditure)	M.D.	M.D.	M.D.	M.D.	M.D.	
7	Adult literacy (%) ^C	M.D.	97.7 ⁽⁵⁾	M.D.	M.D.	M.D.	
8	Educational attainment of total population (aged 15+) (%) ⁽⁶⁾	Low ⁽²⁾	42.1	37.2	32.8	32.0	31.0
		Medium ⁽³⁾	43.0	44.5	47.0	46.3	47.2
		High ⁽⁴⁾	12.8	15.6	17.1	18.6	18.7
9	Early leavers from education and training (aged 18-24) (%)	Total	15.5	11.4	7.1	5.7	4.6
		Male	13.7	10.0	5.9	5.7	M.D.
		Female	17.5	12.9	8.4	5.8	M.D.
10	NET enrolment rates in secondary education (ISCED level 2-3) (%)	M.D.	M.D.	M.D.	M.D.	M.D.	
11	Share of VET students in upper secondary education (ISCED level 3) (%)	60.0	59.5	60.2	61.2	M.D.	

	Indicator		2010	2015	2019	2020	2021
12	Low achievement in reading, mathematics and science – PISA (%)	Reading	M.D.	70.7	55.1 ⁽⁷⁾	M.D.	M.D.
		Mathematics	M.D.	70.2	61.0 ⁽⁷⁾	M.D.	M.D.
		Science	M.D.	62.9	49.5 ⁽⁷⁾	M.D.	M.D.
13	Activity rate (aged 15+) (%)	Total	55.7	55.4	55.5	54.6	54.1
		Male	68.6	67.4	66.1	65.4	65.5
		Female	42.9	43.5	44.9	44.0	42.9
14	Inactivity rate (aged 15+) (%) ^c	Total	44.3	44.6	44.5	45.4	45.9
		Male	31.4	32.6	33.9	34.6	34.5
		Female	57.1	56.5	55.1	56.0	57.1
15	Employment rate (aged 15+) (%)	Total	37.9	40.9	45.9	45.7	45.6
		Male	46.7	49.4	55.2	54.5	54.7
		Female	29.1	32.6	36.7	37.0	36.6
16	Employment rate by educational attainment (aged 15+) (%)	Low ⁽²⁾	23.5 ⁽⁶⁾	25.6 ⁽⁶⁾	26.1 ⁽⁶⁾	25.3 ⁽⁶⁾	21.5 ^c
		Medium ⁽³⁾	47.8 ⁽⁶⁾	50.1 ⁽⁶⁾	56.1 ⁽⁶⁾	55.0 ⁽⁶⁾	54.4 ^c
		High ⁽⁴⁾	65.0 ⁽⁶⁾	65.2 ⁽⁶⁾	71.0 ⁽⁶⁾	71.3 ⁽⁶⁾	70.8 ^c
17	Employment by sector (%) ^{c (8)}	Agriculture	M.D.	17.9	13.9	12.0 ⁽⁹⁾	11.1
		Industry	M.D.	30.5	31.1	30.9 ⁽⁹⁾	30.9
		Services	M.D.	51.6	55.0	57.0 ⁽⁹⁾	58.0
18	Incidence of self-employment (%)		28.5	26.1	21.1	18.1	17.0
19	Incidence of vulnerable employment (%)		23.1	21.8	17.2	14.3	12.8
20	Unemployment rate (aged 15+) (%)	Total	32.0 ⁽⁶⁾	26.1 ⁽⁶⁾	17.3 ⁽⁶⁾	16.6 ⁽⁶⁾	15.8 ^c
		Male	31.9 ⁽⁶⁾	26.7 ⁽⁶⁾	16.5 ⁽⁶⁾	16.8 ⁽⁶⁾	16.5 ^c
		Female	32.2 ⁽⁶⁾	25.1 ⁽⁶⁾	18.4 ⁽⁶⁾	16.2 ⁽⁶⁾	14.7 ^c
21	Unemployment rate by educational attainment (aged 15+) (%)	Low ⁽²⁾	39.0 ⁽⁶⁾	29.9 ⁽⁶⁾	23.4 ⁽⁶⁾	21.4 ⁽⁶⁾	23.2 ^c
		Medium ⁽³⁾	32.1 ⁽⁶⁾	26.6 ⁽⁶⁾	16.6 ⁽⁶⁾	16.2 ⁽⁶⁾	15.6 ^c
		High ⁽⁴⁾	21.8 ⁽⁶⁾	21.1 ⁽⁶⁾	14.3 ⁽⁶⁾	13.7 ⁽⁶⁾	11.7 ^c
22	Unemployment rate (aged 15-24) (%)	Total	53.7	47.3	35.6	35.7	36.4 ^c
		Male	53.9	49.7	33.4	34.0	33.5 ^c
		Female	53.3	43.3	38.9	38.6	41.5 ^c

	Indicator		2010	2015	2019	2020	2021
23	Proportion of people aged 15–24 not in employment, education or training (NEETs) (%)	Total	25.5	24.7	18.1	19.6	M.D.
		Male	25.1	24.5	17.1	19.4	M.D.
		Female	25.9	24.9	19.2	19.8	M.D.
24	Participation in training/lifelong learning (% aged 25-64)	Total	3.5	2.6	2.8	2.6	2.5
		Male	3.4	2.7	2.8	2.5	M.D.
		Female	3.6	2.5	2.7	2.7	M.D.
25	Human Development Index		0.743	0.761	0.774	M.D.	M.D.

Last update: 25/10/2022

Sources:

Indicators 1, 2, 3, 4, 5, 6, 7: The World Bank, World Development Indicators database

Indicators 7, 10: UNESCO, Institute for Statistics

Indicators 8, 13 (2021), 14 (2021), 15 (2021), 16 (2021), 17 (2021), 18 (2021), 19 (2021), 20 (2021), 21 (2021), 22 (2021): ILOSTAT- LFS

Indicators 9, 13 (2010-2020), 14 (2010-2020), 15 (2010-2020), 16 (2010-2020), 17 (2015-2020), 18 (2010-2020), 19 (2010-2020), 20 (2010-2020), 21 (2010-2020), 22 (2010-2020), 23, 24: Eurostat data

Indicator 12: OECD PISA 2018 Results (Volume I) Annex B1

Indicator 25: UNDP

Notes:

(1) Estimation.

(2) Low – ISCED 0-2.

(3) Medium - ISCED 3-4.

(4) High - ISCED 5-8.

(5) Applies to 2014.

(6) Age 15-74.

(7) Applies to 2018.

(8) Totals do not add to 100 due to economic activities not allocated by sector.

(9) does not include 'Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use' and 'Activities of extraterritorial'.

Legend:

C= ETF calculations

N.A. = Not Applicable

M.D. = Missing Data

KEY DONOR PROJECTS IN EDUCATION, TRAINING AND EMPLOYMENT

The reforms of the education system are supported by a large package of EU IPA II Actions:

- The 'EU for Youth' Sector Reform Performance Contract, with a value of EUR 16 million (2020-2023), aims to improve the quality, relevance and inclusiveness of the national VET system and increase employment opportunities for young men and women. It supports the establishment of RVETCs and the further implementation of the Youth Guarantee scheme.
- The Twinning Project entitled 'Further support to the implementation of the NQF' (EUR 1.5 million; 2021- 2024).
- The Technical Assistance project 'Improving the quality of education' is focused on the professional development of teachers and teacher support staff, ICT and digital skills/competencies in education and on strengthening inclusive education in secondary schools.
- The Technical Assistance project 'Increasing attractiveness, inclusiveness and relevance of VET and adult education supports the identification and establishment of two additional RVETCs. Additionally, it includes components on the validation of non-formal and informal learning and on improving the system for post-secondary education.
- The 'Development of the new education management information system' project aims at consolidating and upgrading the existing databases towards improved capacity for evidence-based policy-making.

The 'Education for Employment in North Macedonia (E4E)' project (2018-2028), funded by the Swiss government and implemented by Helvetas, supports formal and non-formal VET, in particular work-based learning.

The World Bank 'Skills Development and Innovation Support Project' was implemented in the period 2014-2021. Its goal was to enhance the relevance of VET and included a revision of programmes and curricula. Moreover, it covered quality and accountability in higher education.

The World Bank 'Primary Education Improvement Project', with a budget of EUR 21.5 million, was launched in 2021 and is scheduled to run until 2026. It supports improvements in the learning environment and the quality of primary education.

ABBREVIATIONS

BDE	Bureau for Development of Education
ESA	Employment Service Agency of the Republic of North Macedonia
ETF	European Training Foundation.
EU	European Union
GMA	Guaranteed Minimum Assistance
ILO	International Labour Organization
MoES	Ministry of Education and Science
NEET	Person not in education, employment or training
NQF	National Qualifications Framework
PISA	Programme for International Students Assessment
RVETC	Regional Vocational Education and Training Centre
VET	Vocational Education and Training
VNFIL	Validation on non-formal and informal learning
YG	Youth Guarantee

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