

NORTH MACEDONIA

**EDUCATION, TRAINING AND EMPLOYMENT
DEVELOPMENTS 2020**

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KEY POLICY DEVELOPMENTS IN EDUCATION, TRAINING AND EMPLOYMENT (SEPTEMBER 2019–AUGUST 2020)

Following a general election in the summer of 2020, Zoran Zaev was returned as Prime Minister of North Macedonia after his Social Democrats (SDSM) and the Democratic Union for Integration (DUI) agreed to form a coalition government. A coalition between the same two parties led the Balkan nation from 2017 until the start of 2020. In June 2018, the government managed to solve the row over the country's name to end a decades-old dispute with Greece. The historic agreement paved the way for the opening of accession negotiations with the European Union (EU) and for accession to the North Atlantic Treaty Organization (NATO), both approved in March 2020. Within the new government, new ministers were nominated for education and science (Mila Carovska, former Minister of Labour and Social Policy) and labour and social policy (Jagoda Shahpaska).

The strategic framework for the education sector remains the Education Strategy 2018–2025, which is currently being implemented. The strategy is very ambitious, and it covers every education sub-sector and a number of transversal issues. The strategic framework for employment (comprising the Employment Strategy 2015–2020 and the Youth Employment Action Document 2016–2020) is at the end of its cycle and the Ministry of Labour and Social Policy is working on a new one.

Four areas have been more successfully reformed in the last few years. Firstly, four-year, competence-based VET programmes were developed, piloted and were scaled up to system level in 2018–2019. Secondly, work-based learning was recently introduced in selected schools as part of new programme pilots. This was scaled up in all programmes starting in 2018–2019 and will be operational for all vocational education and training (VET) students as of 2021–2022 (students work in companies from their third year). Thirdly, governance of the VET sector is under review. The biggest change is the establishment of regional VET centres. Fourthly, active labour market measures delivered by the Employment Service Agency (the public employment service) were strengthened. In particular, a new Youth Guarantee programme was piloted in 2017–2018 and, following successful results, was scaled up to national level.

Compared to 2018, a sudden and significant improvement in most indicators related to young people was registered in 2019: youth unemployment (improved by 9.8 percentage points), the proportion of young people not in employment, education or training (NEET) (improved by 6 percentage points) and the employment of recent graduates aged between 20 and 34 with International Standard Classification of Education (ISCED) 3–4 (improved by 9.6 percentage points). This all gave rise to a positive economic outlook prior to COVID-19, a demographic decrease and successful policies addressing youth insertion in the labour market.

North Macedonia managed to cope with the pandemic thanks to a concerted effort on the part of the Ministry of Education and Science, municipalities and school staff. Mechanisms

for distance education were put in place. On 27 September 2020, the government announced the launch of its fourth package of measures aimed at mitigating the negative impact of the pandemic on the economy, articulated in 31 different measures. This package (whose estimated cost is EUR 470 million), taken as a direct extension of the three previous ones, will bring North Macedonia's aid up to EUR 1 billion.

1. KEY DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

With just over two million inhabitants, roughly half of North Macedonia's population lives in the capital, Skopje. In 2017, young people accounted for only 16% of the working age population, part of a continuing downward trend. Actually, the official figure is significantly inflated. There is no accepted information on the real population in North Macedonia, due to the non-implementation of the country's census. The gap between official data and reality could be as big as half a million, according to the director of the State Statistical Office. A new census has been scheduled for 2021. If this estimate is right, then North Macedonia's population would have fallen by 24.6% since 1991 when the country had a resident population of 1.99 million¹.

Since 1991, North Macedonia has chosen a path of long-term economic reform towards a market economy; results have been mixed. After a negative period between 2015 and 2017 when considerable political instability led to a recession in 2016 and 2017, the situation reverted to a positive trend. In June 2017, a new social democrat, pro-European government was sworn in. Since then, with a couple of changes of Prime Minister, a new political stability and a strong connection with the European Union (EU) has helped to relaunch the country's economy. Gross domestic product (GDP) increased by 2.7% in 2018 and by 3.5% in 2019. As in most countries, a recession is expected in 2020 due to COVID-19 (expected drop of -5.4%) but the forecast for 2021 is for a bounce back (+5.5%) (source: IMF, World Economic Outlook).

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 (the Macedonian denar, MKD) to the euro (which over time has led to relatively prudent fiscal policies, a low budget deficit and low 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 Training Foundation, 2018a)².

The sectoral structure of employment confirms the gradual transition to a service-based economy (services accounted for around 55% of total employment in 2019), whereas the share of industry has remained constant (at around 31%) and agriculture has dropped to 13%. Looking at vacancy rates from 2013 to 2017, the strongest economic sectors, generating around 70% of demand, are: manufacturing; construction; wholesale and retail trade; motor vehicle and motorcycle repair; transportation and storage; and accommodation and food services. Knowledge-based service sectors, such as information and technology; financial, insurance and professional services; and scientific and technical activities have grown rapidly in recent years, although they still account for a rather low share of total demand (around 10% in 2017).

¹ See www.balkansight.com, <https://balkaninsight.com/2020/05/14/wildly-wrong-north-macedonias-population-mystery/>

² National reporting framework, Section A.3.1.

North Macedonia adopted employment retention measures to address the impact of COVID-19, in particular by providing direct financial support to the private sector to keep employees on the payroll:

- a minimum wage of USD 260 per employee for April and May 2020
- a 50% waiver of mandatory social security contributions (April, May and June 2020)

North Macedonia is the regional frontrunner in supporting a favourable environment for businesses. According to the World Bank's ease of doing business index, North Macedonia scored 81 in 2020, which was higher than the Organisation of Economic Co-operation and Development (OECD) and OECD–EU averages of 77 and 78, respectively³.

The proactive labour market policies, public spending and employment stimuli provided to foreign investors have led to the sustained creation of jobs and demand for skills, and to an increase in employment of almost 5% since 2013⁴. According to International Monetary Fund (IMF) data and forecasts, the unemployment rate is calculated to be 20.7% in 2018, 17.2% in 2019, 20.2% in 2020, 17.8% in 2021 and 16.6% in 2022, while per capita GDP has grown by 65% since 2007. However, massive regional disparities remain in terms of economic development and labour market participation and between regions and the capital⁵. The lack of jobs has hit rural areas particularly hard, and several regions lag behind. The population in these regions has low educational attainment and few (if any) prospects of finding a job⁶, which in turn fuels internal migration towards urban centres or abroad, to the detriment of local economies and societies.

North Macedonia is committed to creating new jobs and a higher standard of living for all its citizens, no matter where they live. The country also has plans aimed at supporting a transition to a more productive economy in which domestic companies embrace the advantages of digital technology to become globally competitive; it has the funds to do so and is striving to make this transition. In a context of advanced decentralisation, social partners and the local level of administration are expected to bear a substantial share of the burden of implementation.

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 the mobility of professionals, students and academics. In addition, countries in the region have identified common priorities in the South East Europe 2020 Strategy that mirror those in the EU's Europe 2020 strategy. These include priority interventions in areas such as trade, investment, digitalisation of the economy, labour force mobility, and the development of a Regional Investment Reform Agenda and a Digital Agenda (ETF, 2019a).

2. EDUCATION AND TRAINING

³ See <https://www.doingbusiness.org/en/rankings>

⁴ ETF database and national reporting framework, Section B.1.1.

⁵ National reporting framework, Section B.1.1.

⁶ National reporting framework, Section A.3.4.

2.1 Trends and challenges

North Macedonia is committed to using education and training as a means for social and economic development. It does so by allocating a considerable proportion of the national budget for this purpose. In 2017, education expenditure amounted to MKD 25 492.8 million⁷ (around EUR 414.5 million) or 12.4% of the state budget, compared to MKD 23 644.4 million⁸ (around EUR 383.3 million) or 12.1% of the state budget in 2016.

In 2017, 59.6% of all upper secondary students were secondary vocational education and training (VET) students. This was in line with the previous seven years. The gender gap in terms of participation was quite narrow (see below details by programmes). The following is a breakdown of the number of students enrolled in various types of programmes.

- Vocational programmes (2-year ISCED 3 programmes): 42 596 students in 2017. There is no real gender gap in term of participation (44% of students are female).
- Occupational programmes (3-year ISCED 3 programmes): 2 922 students in 2017. This is the only type of programme with a clear gender gap in terms of participation (79% of students are male).
- Technical programmes (4-year ISCED 4 programmes): 39 674 students in 2017. Once again, the gender gap is quite narrow (45% of students are female).

There is a clear decreasing trend in the number of students enrolled (an average drop of 20% in the student population since 2012). This is in line with the evolution of the country's demographic structure. The relative size of the youth population (15–24) has fallen from 20% to 16.4% in the last seven years.

The country has not managed to take action to address the strong decreasing trend in the number of students, which has led to several inefficiencies. There are 87 VET schools in North Macedonia. This number has remained stable over the last three years. Many of these schools have an unsustainable student/teacher ratio. A discussion about the rationalisation of the VET school network has been widely recommended over the last year and the Ministry of Education and Science has engaged in several projects that elaborated possible scenarios. However, the ministry has not yet found the strength to overcome the opposition of some of the stakeholders involved. The fact that responsibility for VET schools is in the hands of the individual municipalities and not the ministry is the biggest challenge in reforming the VET school network. The development of a concept for a regional VET centre in 2019, and the establishment of three such centres in three different regions in 2020 has been the first attempt to increase the efficiency of the VET school network. The ministry also decided to take responsibility for the three regional VET centres, aiming to use them for educational planning purposes. The Instrument for Pre-Accession Assistance (IPA) programme is making a significant contribution to overall VET developments through different interventions and, in particular, the establishment of regional VET centres through the new Sector Reform Performance Contract, signed in 2020.

The second element of inefficiency in the VET system is the average student/teacher ratio caused by the rapid decrease in the number of students enrolled while the number of teachers remains stable.

⁷ Law on the 2017 State Budget.

⁸ Law on the 2016 State Budget.

One proposal currently under discussion in the Ministry of Education and Science is the reassignment of teachers to different transversal educational profiles which are currently lacking in VET schools (e.g. career counsellors, facilitators for school–enterprise cooperation).

In contrast, North Macedonia has been quite successful in moving its VET system towards a learning outcome-based model. Following the development and implementation of a national qualifications framework, the Ministry of Education and Science started to review all its three-year and four-year programmes (with the support of EU and World Bank projects, respectively). The new programmes have been piloted in a limited number of schools and, as of 2018–2019, are implemented at national level. The Vocational Education and Training Centre is closely monitoring the implementation of the new programmes, trying to identify the emerging challenges and providing recommendations to address them.

The reform of the VET programmes included the introduction of work-based learning mechanisms for all students, starting in the third year of the four-year programmes. The 2021–2022 academic year will be the first in which a generation of VET students will need to find placements in companies. The high number of students that are expected to spend time in companies represents a big challenge for the system and the pandemic has greatly increased the complexity of the implementation of the new work-based learning mechanisms.

The reform of VET programmes and the introduction of an approach based on learning outcomes could also address the low quality of education. There is a clear contradiction between some indicators of efficiency in the education sector where North Macedonia performs excellently (the early leavers indicator is 8.7%, lower than the EU average of 10.6% and lower than the ambitious EU 2020 target of 10%) and the country's very poor performance in international standardised testing (according to the Programme for International Student Assessment (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 in the state *Matura* is about 70%). This contradiction is a consequence of the political priority of improving the educational attainment of the population, leading to the decision to raise the mandatory school leaving age to 18 (2008). The introduction of compulsory secondary education was purely legislative, and was 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. Schools felt the obligation to push students through the system and block students only in cases of convincing evidence of non-performance. The Education Strategy 2018–2025 (Ministry of Education and Science, 2018) has only now committed to addressing these conditions in detail (ETF, 2019a).

As in the case of all countries seriously affected by COVID-19, the pandemic has disrupted provision of education and created a big challenge for the Ministry of Education and Science and the Vocational Education and Training Centre. Schools closed on 6 March and were closed for the 2019–2020 academic year. The Ministry of Education and Science decided to cancel the *Matura*, and all students finishing secondary education received a diploma granting them access to higher education. In the second part of 2020, online distance education was organised for all students. The process was coordinated by the Ministry of Education and Science, which also ensured the training of selected teachers for all schools. An online learning platform was set up. Practical training in companies in the

context of work-based learning programmes was suspended as well. The ministry provided guidance to VET students on how to further work on their practical skills from home.

The government is concerned about the risks of social exclusion caused by distance learning. The first initiatives to address these risks have focused on providing televised lessons for general subjects and delivering teaching materials to students who do not have a broadband connection.

The COVID-19 situation has also affected the 2020–2021 academic year. Students in grades 1 to 3 attend lessons in person. Around 98% of children actually go to school. Students at risk can follow lessons online. Teaching hours are reduced (35 minutes per lesson). Classes are smaller. The overall number of hours is guaranteed in order to support parents; part of the time is dedicated to alternative non-teaching activities. Students are separated into the relevant age groups. Finding enough teachers is problematic, and municipalities are required to cope with these gaps.

Students in grades 4 to 9 attend school only if the school in question complies with safety standards agreed by the Ministry of Education and Science and the Ministry of Health. In the absence of such compliance, students attend online lessons. Schools need to make a special request to the ministry of education to obtain permission to organise lessons where students are physically present. The ministry organises an inspection to ensure compliance with safety requirements. To date, only 30 schools have obtained permission. The rest of the students follow lessons online, organised via a national platform. Teachers have been trained in the use of the online platform and have established a dialogue with students and parents on how to deal with the complexity of this school year. Additional training or teachers provided by donors are focused on distance learning pedagogies. The online platform has had a number of technical problems in recent weeks but the ministry is confident these can be addressed on the fly. The platform is not yet completed in terms of pedagogical material, but it has enough resources for the first few months. Educational programmes (on general subjects) are also available on national television (grades 1 to 9).

2.2 Education and training policy and institutional setting

In North Macedonia, the Ministry of Education and Science is responsible for national education and science policy. Other than the regulation of financing, its main tasks are the management of state institutions and control of the regularity of their work. The Department for European Union is responsible for negotiating and coordinating projects and donor support and for implementing, coordinating, monitoring and evaluating the relevant IPA components. Due to the specificity of the VET and adult education system structure, no individual unit is responsible for these areas within the Ministry of Education and Science. Coordination of this sub-sector is the responsibility of the Unit for Secondary Education. There is a clear disparity between the resources allocated for the coordination of donors' projects and the resources allocated for the actual running of the technical and vocational education and training (TVET) sector. The Department of Secondary Education is understaffed. This is well recognised by the national stakeholders and development partners.

The Vocational Education and Training Centre, established in 2007, is governed by a management board consisting of nine members: one representative each from the Ministry of Education and Science, Ministry of Labour and Social Protection, Chamber of Crafts, Chamber of Commerce and the Association of the Units of Local Self-government of the Republic of Macedonia (ZELS), and four

representatives from the Vocational Education and Training Centre. The management board is responsible for the content of vocational education in terms of pedagogical research, curriculum development, monitoring of programme implementation and teacher training.

The Council for Vocational Education and Training is an advisory body, which provides opinions on strategies for the development of VET and proposes amendments, supplements and new qualifications and occupational standards to the Ministry of Education and Science. In cooperation with municipalities, it submits proposals to the ministry for the development of the network of institutions.

The Bureau for Development of Education (BDE) is part of the Ministry of Education and Science but it has its own legal status. It is a state administration body subordinated to the ministry. It is tasked with providing expertise in the development and promotion of early learning and education in the country. The BDE is responsible for the monitoring, expert review, research, promotion and development of early learning and educational activities in the field of preschool education, primary education, secondary general education, secondary art education, secondary vocational education and post-secondary education. It is also responsible for the education of children with special educational needs, adult education, educational activities in student dormitories, and for the education of North Macedonian citizens' children abroad in relation to acquiring the language and culture of North Macedonia. The headquarters of the BDE is in Skopje, but it has 12 regional offices staffed by teaching and management personnel who engage in professional advisory activities and instructional mentoring work. The biggest responsibility of the BDE is the development of curricula and syllabi for primary and general secondary education (including the general subjects taught in vocational programmes). It is supported by the Pedagogical Council.

The National Examination Centre is an independent structure subordinated directly to the government but funded through the BDE. It is responsible for the external assessment of the school *Matura* and the state *Matura*. The former is the certificate awarded for completion of the final school exam. The state *Matura* provides successful students with access to higher education.

The State Education Inspectorate (SEI) is a legal entity under the jurisdiction of the Ministry of Education and Science. The SEI is responsible for supervising the implementation of education-related legislation and for evaluating primary and secondary educational institutions and universities that provide lifelong learning. This is done in seven areas (curricula, pupils' achievements, learning and teaching, support for students, school environment, resources, improvement and management) in accordance with the internal instrument – indicators for evaluating the quality of the education process in educational institutions. The SEI also inspects preschool institutions, but only in relation to curricula, and universities (from the point of view of implementation of legislation).

The Centre for Adult Education was established by the government in November 2008 and became operational in June 2009. The centre is managed by a steering committee whose 10 members represent the Ministry of Education and Science, Ministry of Labour and Social Policy, Chamber of Crafts, Chamber of Commerce, Association of the Units of Local Self-government of the Republic of Macedonia (ZELS) and the centre itself. Its main tasks are to:

- promote adult education
- harmonise and integrate public interest and the interests of social partners in adult education in North Macedonia
- coordinate cooperation with international institutions and adult education organisations

- provide a quality education system for adults in accordance with European standards and practices through the establishment of standards and criteria that will provide formal and informal adult education
- create a high-quality and competitive workforce in the labour market with the support of social partnership

The Council for Adult Education is an advisory body that proposes strategic policies and actions in the area of adult education.

The municipalities are in charge of primary and secondary education, except for the secondary schools in the capital Skopje, which are the responsibility of the City of Skopje. The state provides financial resources for education in the municipalities in the form of 'block grants'. Such a degree of decentralisation is one of the main challenges faced by the Ministry of Education and Science in increasing the efficiency of the system. Schools are crucial elements in the local social and political environment. The government is adopting a constructive approach to deal with the rationalisation of the VET school network, establishing an effective dialogue with the relevant municipalities, starting with the policy decision on regional vocational centres.

The EU continues to support reforms in human capital development in North Macedonia. In 2020, two different programmes were launched. A Sector Reform Performance Contract will support the establishment of the regional VET centres and the implementation of the Youth Guarantee programme.

An additional IPA project will provide the necessary technical expertise to support reforms in the following areas:

- quality assurance of VET and adult education
- validation of non-formal and informal learning as an important pathway to quality education for adults
- development and implementation of programmes for post-secondary education
- alignment of the national VET and adult education systems with European Quality Assurance in Vocational Education and Training (EQAVET) (by supporting the process of identifying the most appropriate set of indicators for monitoring and reporting purposes within the EQAVET framework)

3. LABOUR MARKET AND EMPLOYMENT

3.1 Trends and challenges

The labour market is characterised by overall low activity and employment rates and high unemployment. The latest annual figures available (2019) show an activity rate of around 59.1% in the working age population. The employment rate, although showing a rising trend over the last five years (+6.4%), was just 48.9% in 2019, well behind the EU average. The main factor triggering such poor performances in activity and employment is the gender divide in activity and employment rates, with women showing rates of 21.6 percentage points and 18.7 percentage points, respectively, below their male peers in 2019 (although the gap has been narrowing in recent years).

Total unemployment is decreasing sharply in the country: at 17.3% in 2019, it was down 14.7 percentage points compared to 10 years ago and down 8.8 percentage points compared to 5 years ago. However, unemployment is expected to increase again to around 20% in 2020 (also due to the impact of the COVID-19 crisis). Youth unemployment remains a prominent issue, reaching 35.6% in 2019, one of the highest in the Western Balkans. Also, in this case, there is an historical positive trend which peaked in 2019 when the registered youth unemployment rate (among 15- to 24-year-olds) was 9.8 percentage points lower than the previous year. The share of NEETs in 2019 was around 18.1%, in this case also a drastic decrease compared to the rate seen in the previous five years, which remained constant at around 24%. Long-term unemployment is another key feature, affecting jobseekers with low levels of qualifications in particular. A key challenge for the North Macedonian economy is the significant level of inactivity, which does not seem to recede and affects mainly women. This is worrying, given the backdrop of the demographic decrease⁹ and migration propensity. According to poverty-related data, unemployed and inactive people are the groups most exposed to the risk of poverty¹⁰.

Educational attainment is a key predictor of labour market participation: most active people have tertiary or a medium level of education, while those with low attainment are over-exposed to inactivity. Against the backdrop of a sharp increase in the number of tertiary graduates, the clear distinction between the propensity for unemployment for high versus low levels of qualifications has diminished; namely, the differences between the unemployment rates of those with a low, medium or high level of education have declined in recent years. As stated before, female activity and employment rates reflect their precarious position in the labour market. Women's education is not such a strong predictor of an improved position in employment. Female unemployment rates are almost identical for all broad education levels (low, medium, high) and women are often stuck in low-skilled jobs.

Age is also a key feature of employment probability: as in many other countries, young people are subject to a poor and lengthy transition from school to work. The labour market insertion of recent graduates (ISCED 3–4) remains very low, far below the EU average (in 2019, 57.2% vs 80.9% for ISCED 3–8 and 51.3% vs 75.9% for ISCED 3–4). However, as in the case of other indicators related to young people, a dramatic improvement was registered in 2019 (an improvement of 8 percentage points for ISCED 3–8 and 10.6 percentage points for ISCED 3-4). Drilling down in the type of education, VET performs significantly better than general secondary education (a difference of 23.9 percentage points).

Informality and precariousness affect large proportions of workers – almost one-fifth work in informal and vulnerable employment, one in three young people have a temporary work contract, and women are overrepresented in the category of unpaid family workers. According to labour force data on vulnerable employment, the rate was 17.2% in 2019 and is decreasing. This positive trend will inevitably be reversed by COVID-19, but the impact cannot yet be calculated.

Regional disparities also affect labour force utilisation across the country's eight regions. Three regions in particular are lagging behind in terms of employment and unemployment incidence: Northeastern, Southwestern and Polog. Regional discrepancies are quite large in employment, with a gap of over 25 percentage points between the best-performing region (Southeastern) and the weakest

⁹ The young cohort has been constantly decreasing since 2010.

¹⁰ Sources: Eurostat and State Statistical Office of Macedonia – labour force surveys and survey on income and living conditions.

one (Northeastern). The latter reveals a particularly underperforming labour market, where the unemployment rate exceeds the employment rate. Not surprisingly, the Skopje region leads in the average gross wage per employee. This region generates over 40% of GDP, while the North eastern region accounts for just over 5%.

A high incidence of unemployment and inactivity, even among those with a medium and high level of education, indicates a problem in matching supply and demand. This is exacerbated by a weak education performance (e.g. PISA results, mismatched education programmes at secondary and tertiary level) and low participation in lifelong learning (according to labour force survey data, only 2.8% of the population engaged in lifelong learning in 2019). The uneven distribution of employment opportunities from a territorial perspective (e.g. regions that are lagging behind) might also explain the coexistence of large swathes of unutilised/underutilised labour potential and skills shortages in the workforce (as claimed by employers).

Overall, key indicators such as activity, employment and unemployment rates have been improving in recent years, although women and young graduates do not fully benefit from such positive trends. Despite not having available comprehensive data sets on vulnerable groups, administrative sources and qualitative research reveal exposure to informal and precarious labour conditions, unemployment and inactivity of certain groups, such as members of the Roma ethnic minority, people with disabilities, single parents, people with very low or no educational attainment or former convicts. As mentioned before, the positive trends in relation to employment indicators will be affected negatively by COVID-19. It is expected that the fragility of vulnerable groups will determine a much stronger negative impact of the pandemic on them.

Longish transitions to employment among young graduates, unemployed people or inactive people reflect a mismatch of skills and job readiness. Analyses of labour demand and supply show a relatively large change in the structure of jobs by occupation, industry and skills, with a shift towards intermediate- and high-level occupations and qualification levels over time. Most of the current and near-future demand is for people with secondary vocational education, but at the same time the country has also witnessed a large increase in the supply of tertiary-educated graduates (ETF, 2019b).

A recent ETF study on skills mismatch measurement in the country (2019) and previous studies conducted in the country show a horizontal mismatch within a range of 30 to 45% and a vertical mismatch of between 27 and 53%. Data also shows labour shortages in fast-growing and export-oriented sectors in the economy. An ETF study confirms a number of trends: high and persistent mismatches; a relative deterioration in the position of tertiary-educated workers as a result of a large increase in the supply of such workers; an over-education phenomenon that is more prevalent than under-education; mismatches that are relatively small for workers aged between 20 and 24 and 25 and 29; the rewarding of higher education in the labour market as assessed by relative wages by education; and the incidence of mismatch variations by economic sectors. Overskilling, according to these calculations, is especially high for service and sales workers and skilled agricultural workers and to a lesser extent for craft workers and plant and machine operators. Undereducation, on the other hand, is highest among managers, and less so among technicians, associate professionals and clerical support workers (ETF, 2019b).

The initial VET system faces specific challenges in responding to labour market and learners' needs. These can be summarised as follows:

- insufficient correlation of VET profiles and programmes with local and regional labour market needs

- the lengthy process involved in updating qualifications standards and their reflection in the educational offering – this includes the updating of teaching materials, equipment and teacher training

Migration is a clear factor in the country's depopulation. As of 19 December 2009, citizens of the Republic of North Macedonia were allowed to travel to Europe without having to apply for visas at consular offices of EU Member States in their country or in neighbouring countries (Council of the European Union, 2009). This did not lead to a massive increase in the migration flows from North Macedonia to Europe. According to United Nations (UN) population data, 534 720 North Macedonians were living abroad in 2017¹¹. While this number seems high relative to the size of the population, 430 000 North Macedonians were living outside the country as far back as 1990. Based on rough calculations using evidence provided by the receiving countries, the emigration rate in the last 20 years should be around 10 000 migrants per year. No detailed information on the migrants' educational backgrounds is available but indirect sources profile them as mainly tertiary-educated graduates who don't find job opportunities in line with their qualifications in North Macedonia.

3.2 Employment policy and institutional setting

The main strategic background is included in the Employment Strategy 2015–2020, the Youth Employment Action Plan and the Employment Service Agency's annual plan of activities.

The Ministry of Labour and Social Policy is in charge of setting policy priorities. Employment issues are coordinated within the ministry by the Department for Labour Law and Employment Policies. This department is responsible for the development, management, coordination, monitoring and evaluation of the Employment Strategy 2015–2020 and the Youth Employment Action Plan and for the employment measures of the Human Resource Development Operational Programme. The Department for Social Protection is responsible for the coordination and monitoring of the National Strategy for Alleviation of Poverty and Social Exclusion 2010–2020. The Ministry of Labour and Social Policy acts on the basis of an annual operating plan of active programmes and measures for employment and services in the labour market (with clear goals and outcome indicators), including calculated costs and defined sources of funding. The Unit for Child Protection is responsible for various aspects of preschool education, except the Programme for Early Learning and Development, which is run by the BDE under the auspices of the Ministry of Education and Science.

The Employment Service Agency is in charge of designing and implementing ALMPs. North Macedonia adopted employment retention measures to address the impact of COVID-19, in particular by providing financial support to the private sector to keep employees on the payroll:

- a minimum wage of USD 260 per employee for April and May 2020
- a 50% waiver of mandatory social security contributions (April, May and June 2020)

Provision of this financial support is conditional on retaining the same number of workers until July (on the minimum wage) and until August (in the case of the social security contributions); initially, the requirement was set for September, but was subsequently amended. This rule does not apply to workers who received a net monthly salary higher than USD 715 in the previous three months. Companies experiencing revenues losses of less than 30% and those in which more than 10% of the

¹¹ See <http://www.un.org/en/development/desa/population/migration/data/estimates2/estimates17.shtml>

top-paid workers earn an average of more than EUR 2,000 are not eligible for support (this does not apply to the waiver of social security contributions) (ILO, 2020).

ALMPs remain the main instrument to address structural challenges in the labour market. Overall spending has increased in recent years, but insufficient staffing of the Employment Service Agency and a high caseload inhibit the efficiency and effectiveness of ALMP implementation, including coverage for jobseekers. Several positive developments are noteworthy:

- the introduction of a system to profile jobseekers to help Employment Service Agency staff target labour market policy interventions and prepare individual action plans for vulnerable unemployed people
- the provision of a standard set of activation services (mediation, counselling) to inactive persons (usually social assistance beneficiaries) and the development of focused programmes in partnership with municipalities, civil society organisations and other entities
- the design, piloting and mainstreaming of a Youth Guarantee-like model of intervention targeting young jobseekers; the guarantee envisages that each young person under the age of 29 will be given an adequate job offer, an opportunity to continue education or an opportunity to be included in an internship or training measure within four months of completing their education or registering as unemployed; the Youth Guarantee was piloted in 2017–2018 and mainstreamed the year after, following a successful evaluation of its impact

In the activation measures delivered in recent years, the Employment Service Agency has focused on standard services (job matching and counselling), with most registered jobseekers benefiting from such services. The intense activation programmes, in the form of labour market measures, cover only a fraction of jobseekers (around 7 500 out of over 100 000 unemployed people registered at the end of 2017). The main reasons are listed above; in particular, per capita expenditure on ALMPs is very low and quite often there is insufficient readiness on the part of jobseekers to take up a job or an activation programme (especially among the long-term unemployed population or/and those who have very low educational attainment and are exposed to the risk of poverty and social exclusion). Around half of jobseekers participating in labour market policy measures are included in training courses (training, retraining through specialised courses, including VET-type courses). However, individuals with a higher level of education seem to benefit the most, representing around 50% of training participants even though they account for only around 10 to 12% of the total unemployed population. Particularly worrying is the participation of people with low levels of education in such programmes – it is almost negligible (67 people in 2017). Most probably, the entry requirement to have at least secondary education acts as a barrier in accessing many courses.

The other types of labour market policy measures offered by the Employment Service Agency are: employment incentives, start-up stimulation and direct job creation schemes (the internship scheme is covered here). In 2017, the share of total jobseekers participating in labour market policy measures ranged from 18% to 11% (in order of the measures listed above), while the number of beneficiaries with disabilities amounted to around 300. Individuals with a medium level of education (most of them through VET) have a more balanced representation in such measures (data obtained from the Employment Service Agency database).

The latest available assessments of ALMP effectiveness show that training and internships are most likely to lead to employment. When looking at the annual transition rates from unemployment to employment, it seems that more highly educated and young jobseekers are the most successful, followed by individuals with a medium level of education and women (these categories of jobseekers register the highest transition rates) (Employment and Social Affairs Platform project).

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Recent ETF Country Intelligence Products:

- [Mapping of Covid-19 impact on education and training](#)
- [ETF Torino Process Assessment](#)
- NQF Inventory Country Page <https://openspace.etf.europa.eu/nqf-inventories>

NOTH MACEDONIA: STATISTICAL ANNEX

Annex includes annual data from 2010, 2015, 2018 and 2019 or the last available year.

	Indicator	2010	2015	2018	2019	
1	Total Population (,000) ^e	2,070.7	2,079.3	2,083	2,083.5	
2	Relative size of youth (age group 15-24 and age in the denominator 15-64, %) ^c	22.0	19.4	18.1	17.8	
3	GDP growth rate (%)	3.4	3.9	2.7	3.6	
4	GDP by sector (%)	Agriculture added value	10.1	9.7	8.5	8.8
		Industry added value	21.0	23.9	23.9	23.9
		Services added value	55.1	53.7	54.4	54.6
5	Public expenditure on education (as % of GDP) ⁽¹⁾	M.D.	M.D.	M.D.	M.D.	
6	Public expenditure on education (as % of total public expenditure) ⁽¹⁾	M.D.	M.D.	M.D.	M.D.	
7	Adult literacy (%)	M.D.	M.D.	M.D.	M.D.	
8	Educational attainment of adult population (aged 25-64 or 15+) (%) ⁽²⁾	Low ⁽³⁾	27.6	23.1	19.2	18.9
		Medium ⁽⁴⁾	53.8	54.2	56.4	56.1
		High ⁽⁵⁾	18.7	22.7	24.4	25.0
9	Early leavers from education and training (aged 18-24) (%) ⁽⁶⁾	Total	15.5	11.4	7.1	7.1
		Male	13.7	10.0	5.6	5.9
		Female	17.5	12.9	8.5	8.4
10	Gross enrolment rates in upper secondary education (ISCED level 3) (%)	75.9	78.8	M.D.	M.D.	
11	Share of VET students in upper secondary education (ISCED level 3) (%)	60.0	59.5	M.D.	M.D.	
12	Tertiary education attainment (aged 30-34) (%)	17.1	28.6	33.3	35.7	
13	Participation in training/lifelong learning (age group 25-64) by sex (%)	Total	3.5	2.6	2.4	2.8
		Male	3.4	2.7	2.4	2.8
		Female	3.6	2.5	2.3	2.7
	Participation in training/lifelong learning	Low ⁽³⁾	0.2	0.2	0.2	0.2
		Medium ⁽⁴⁾	4.3	2.9	3.0	3.4

	Indicator		2010	2015	2018	2019
	(age group 25-64) by education (%)	High ⁽⁵⁾	8.8	6.1	3.9	4.5
	Participation in training/lifelong learning (age group 25-64) by working status (%)	Inactive	4.5	3.1	3.7	3.9
		Employed	3.7	2.6	1.9	2.2
		Unemployed	1.6	2.1	1.8	2.9
14	Low achievement in reading, mathematics and science – PISA (%)	Reading	N.A.	70.7	55.1	N.A.
		Mathematics	N.A.	70.2	61.0	N.A.
		Science	N.A.	62.9	49.5	N.A.
15	Activity rate (aged 15+) (%) ⁽⁶⁾	Total	58.7	58.7	58.7	59.1
		Male	71.6	70.8	71.1	69.7
		Female	45.6	46.5	46.3	48.4
16	Inactivity rate (aged 15+) (%) ^C	Total	44.3	44.6	44.8	44.5
		Male	31.4	32.6	32.5	33.9
		Female	57.1	56.5	57.0	55.1
17	Employment rate (aged 15+) (%) ⁽⁶⁾	Total	39.9	43.4	46.5	48.9
		Male	48.8	51.9	55.9	58.2
		Female	30.9	34.9	37.1	39.5
18	Employment rate by educational attainment (% aged 15+%) ⁽⁶⁾	Low ⁽³⁾	23.5	25.6	25.6	26.1
		Medium ⁽⁴⁾	47.8	50.1	53.2	56.1
		High ⁽⁵⁾	65.0	65.2	68.2	71.0
19	Employment by sector (aged 15+) (%) ^C	Agriculture	M.D.	17.9	15.7	13.9
		Industry	M.D.	30.5	31.4	31.1
		Services	M.D.	51.6	52.9	55.0
20	Incidence of self-employment (aged 15+) (%)		28.5	26.1	23.6	21.1
21	Incidence of vulnerable employment (aged 15+) (%)		23.1	21.8	19.4	17.2
22	Unemployment rate (aged 15+) (%) ⁽⁶⁾	Total	32.0	26.1	20.8	17.3
		Male	31.9	26.8	21.3	16.5
		Female	32.3	25.1	19.9	18.4
23	Unemployment rate by educational attainment (aged 15+) (%) ⁽⁶⁾	Low ⁽³⁾	39.0	29.9	23.8	23.4
		Medium ⁽⁴⁾	32.1	26.6	21.0	16.6

	Indicator	2010	2015	2018	2019	
	High ⁽⁵⁾	21.8	21.1	17.8	14.3	
24	Long-term unemployment rate (aged 15+) (%) ⁽⁶⁾	26.6	21.3	15.5	12.4	
25	Youth unemployment rate (aged 15-24) (%)	Total	53.7	47.3	45.4	35.6
		Male	53.9	49.7	46.6	33.4
		Female	53.3	43.3	43.2	38.9
26	Proportion of people aged 15–24 not in employment, education or training (NEETs) (%)	Total	25.5	24.7	24.1	18.1
		Male	25.1	24.5	23.3	17.1
		Female	25.9	24.9	25.1	19.2

Last update: End of August 2020

Sources:

Indicators 8, 9, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26 - Eurostat

Indicators 14 - OECD

Indicators 11, 12 – UNESCO, Institute for Statistics

Indicators 1, 2, 3, 4– The World Bank, World Development Indicators database

Notes:

(1) Midyear estimations

(2) Active population aged 15-74

(3) Low - primary and basic general education

(4) Medium - general secondary and vocational-technical education

(5) High - secondary special and higher education

(6) Age group 15-74

(8)

Legend:

e = estimated

c = calculated

N.A. = Not Applicable

M.D. = Missing Data

ANNEX: INDICATORS' DEFINITIONS

	Description	Definition
1	Total population (000)	The total population is estimated as the number of persons having their usual residence in a country on 1 January of the respective year. When information on the usually resident population is not available, countries may report legal or registered residents.
2	Relative size of youth population (age group 15-24) (%)	This is the ratio of the youth population (aged 15-24) to the working-age population, usually aged 15-64 (74)/15+.
3	GDP growth rate (%)	Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.
4	GDP by sector (%)	The share of value added from Agriculture, Industry and Services. Agriculture corresponds to ISIC divisions 1-5 and includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3 or 4.
5	Public expenditure on education (as % of GDP)	Public expenditure on education expressed as a percentage of GDP. Generally, the public sector funds education either by directly bearing the current and capital expenses of educational institutions, or by supporting students and their families with scholarships and public loans as well as by transferring public subsidies for educational activities to private firms or non-profit organisations (transfer to private households and enterprises). Both types of transactions together are reported as total public expenditure on education.
6	Public expenditure on education (as % of total public expenditure)	Public expenditure on education expressed as a percentage of total public expenditure. Generally, the public sector funds education either by directly bearing the current and capital expenses of educational institutions, or by supporting students and their families with scholarships and public loans as well as by transferring public subsidies for educational activities to private firms or non-profit organisations (transfer to private households and enterprises). Both types of transactions together are reported as total public expenditure on education.

	Description	Definition
7	Adult literacy (%)	Adult literacy is the percentage of population aged 15 years and over who can both read and write with understanding a short simple statement on his/her everyday life. Generally, 'literacy' also encompasses 'numeracy', the ability to make simple arithmetic calculations.
8	Educational attainment of adult population (25-64 or aged 15+) (%)	Educational attainment refers to the highest educational level achieved by individuals expressed as a percentage of all persons in that age group. This is usually measured with respect to the highest educational programme successfully completed which is typically certified by a recognized qualification. Recognized intermediate qualifications are classified at a lower level than the programme itself.
9	Early leavers from education and training (age group 18-24) (%)	Early leaving from education and training is defined as the percentage of the population aged 18–24 with at most lower secondary education who were not in further education or training during the four weeks preceding the survey. Lower secondary education refers to ISCED 1997 levels 0-2 and 3C short (i.e. programmes with duration less than 2 years) for data up to 2013 and to ISCED 2011 levels 0-2 for data from 2014 onwards.
10	Gross enrolment rates in upper secondary education (ISCED level 3) (%)	Number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education.
11	Share of VET students in upper secondary education (ISCED level 3) (%)	Total number of students enrolled in vocational programmes at a given level of education (in this case upper secondary education), expressed as a percentage of the total number of students enrolled in all programmes (vocational and general) at that level.
12	Tertiary education attainment (aged 30-34) (%)	Tertiary attainment is calculated as the percentage of the population aged 30–34 who have successfully completed tertiary studies (e.g. university, higher technical institution). Educational attainment refers to ISCED 1997 level 5–6 up to 2013 and ISCED 2011 level 5–8 from 2014 onwards.
13	Participation in training/lifelong learning by sex, education and working status (age group 25-64) (%)	Lifelong learning refers to persons aged 25–64 who stated that they received education or training in the four weeks preceding the survey (numerator). The denominator consists of the total population of the same age group, excluding those who did not answer the question on participation in education and training. The information collected relates to all education or training, whether or not it is relevant to the respondent's current or possible future job. If a different reference period is used, this should be indicated.
14	Low achievement in reading, maths and science – PISA (%)	Low achievers are the 15-year-olds who are failing level 2 on the PISA scale for reading, mathematics and science.
15	Activity rate (aged 15+) (%)	The activity rate is calculated by dividing the active population by the population of the same age group. The active population (also called 'labour force') is defined as the sum of employed and unemployed persons. The inactive population consists of

	Description	Definition
		all persons who are classified as neither employed nor unemployed.
16	Inactivity rate (aged 15+) (%)	The inactivity/out of the labour force rate is calculated by dividing the inactive population by the population of the same age group. The inactive population consists of all persons who are classified as neither employed nor unemployed.
17	Employment rate (aged 15+) (%)	The employment rate is calculated by dividing the number of employed persons by the population of the same age group. Employed persons are all persons who worked at least one hour for pay or profit during the reference period or were temporarily absent from such work. If a different age group is used, this should be indicated.
18	Employment rate by educational attainment (% aged 15+)	The employment rate is calculated by dividing the number of employed persons by the population of the same age group. Employed persons are all persons who worked at least one hour for pay or profit during the reference period or were temporarily absent from such work. If a different age group is used, this should be indicated. Educational levels refer to the highest educational level successfully completed. Three levels are considered: Low (ISCED level 0-2), Medium (ISCED level 3-4) and High (ISCED 1997 level 5-6, and ISCED 2011 level 5-8)
19	Employment by sector (%)	This indicator provides information on the relative importance of different economic activities with regard to employment. Data is presented by broad branches of economic activity (i.e. Agriculture/Industry/Services) which is based on the International Standard Industrial Classification of All Economic Activities (ISIC). In Europe, the NACE classification is consistent with ISIC.
20	Incidence of self-employment (%)	The incidence of self-employment is expressed by the self-employed (i.e. Employers + Own-account workers + Contributing family workers) as a proportion of the total employed.
21	Incidence of vulnerable employment (%)	The incidence of vulnerable employment is expressed by the Own-account workers and Contributing family workers as a proportion of the total employed.
22	Unemployment rate (aged 15+) (%)	The unemployment rate represents unemployed persons as a percentage of the labour force. The labour force is the total number of people who are employed or unemployed. Unemployed persons comprise those aged 15-64 or 15+ who were without work during the reference week; are currently available for work (were available for paid employment or self-employment before the end of the two weeks following the reference week); are actively seeking work, i.e. had taken specific steps in the four-week period ending with the reference week to seek paid employment or self-employment, or had found a job to start later (within a period of, at most, three months).

	Description	Definition
23	Unemployment rate by educational attainment (aged 15+) (%)	The unemployment rate represents unemployed persons as a percentage of the labour force. The labour force is the total number of people who are employed or unemployed. Unemployed persons comprise those aged 15–64 or 15+ who were without work during the reference week; are currently available for work (were available for paid employment or self-employment before the end of the two weeks following the reference week); are actively seeking work (had taken specific steps in the four-week period ending with the reference week to seek paid employment or self-employment, or had found a job to start later (within a period of, at most, three months)). Educational levels refer to the highest educational level successfully completed. Three levels are considered: Low (ISCED level 0-2), Medium (ISCED level 3-4) and High (ISCED 1997 level 5–6, and ISCED 2011 level 5–8)
24	Long-term unemployment rate (aged 15+) (%)	The long-term unemployment rate is the share of unemployed persons since 12 months or more in the total active population, expressed as a percentage. The duration of unemployment is defined as the duration of a search for a job or as the period of time since the last job was held (if this period is shorter than the duration of the search for a job).
25	Youth unemployment rate (aged 15-24) (%)	The youth unemployment ratio is calculated by dividing the number of unemployed persons aged 15–24 by the total population of the same age group.
26	Proportion of people aged 15–24 not in employment, education or training (NEETs) (%)	The indicator provides information on young people aged 15–24 who meet the following two conditions: first, they are not employed (i.e. unemployed or inactive according to the ILO definition); and second, they have not received any education or training in the four weeks preceding the survey. Data is expressed as a percentage of the total population of the same age group and gender, excluding the respondents who have not answered the question on participation in education and training.

LIST OF ACRONYMS

ALMP	Active labour market policy
BDE	Bureau for Development of Education
DUI	Democratic Union for Integration
EQAVET	European Quality Assurance in Vocational Education and Training
ETF	European Training Foundation
EU	European Union
GDP	Gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
ISCED	International Standard Classification of Education
MKD	Macedonian denar
NATO	North Atlantic Treaty Organization
NEET	Not in employment, education or training
OECD	Organisation of Economic Co-operation and Development
PISA	Programme for International Student Assessment
SDSM	Social Democratic Union of Macedonia
SEI	State Education Inspectorate
TVET	Technical and vocational education and training
UN	United Nations
VET	Vocational education and training
ZELS	Association of the Units of Local Self-government of the Republic of Macedonia

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