

Employment and Social Affairs Platform 2 #ESAP2

# PES Bench-learning Report Public Employment Services



Skopje, 2022

# Employment and Social Affairs Platform 2

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# Executive Summary

This report is based on the results of the 2022 PES Bench-learning cycle in the Western Balkans facilitated by the RCC ESAP 2 project. Its main sources are the self-assessment completed by the PES according to an adapted structure of the EU PES Bench-learning exercise as well as a peer review conducted from 8 to 9 June, 2022 in Ohrid.

**Employment Service Agency of North Macedonia (further in text referred to interchangeably as ESA or PES)** was founded by the Government of North Macedonia as a public institution whose operations are based on a number of legal acts, strategies, action plans and programmes that concern various labour market aspects. Its main activities include intermediation for employment, counselling for employment, professional orientation, insurance in the case of unemployment, providing active labour market programmes and measures, issuing personal working licenses for foreign workers and providing opinion for quota accomplishment and the actual needs on the labour market in North Macedonia, creating analytical, development and specialised materials in the domain of the ESA work, and providing public information about the labour market. The ESA fulfils its activities throughout its Head Office in Skopje and 30 local Employment Centres.

The **services provided to jobseekers** start with the profiling of the registered jobseeker. Within the profiling, customers are classified in three categories or segments: those who are directly employable, those with moderate difficulties and those with considerable difficulties for employment. Depending on profiling results, an Individual Employment Plan is prepared. It summarises the pathway for a successful labour market integration including all duties and responsibilities of the unemployed persons and the Employment Centre in the integration process. The Individual Employment Plan describes to which specialised external services the registered unemployed may be referred to reduce any identified barrier for the (re-)integration into the labour market. Appropriate measures may be counselling, orientation, coaching and any kind of ALMP including training, apprenticeship programmes, wage subsidies, public work schemes and entrepreneurship support.

Regarding the **services for employers**, these are based on an annual analysis for skill needs on the labour market. The analysis provides both information about the short-term needs of employers for the skills and workforce and medium and long-term developments on the labour markets. The results from these needs' analysis are the basis for all cooperation between the ESA and the employers. The services of the ESA are generally available for all employers, but specific services and measures reflect the specific needs of micro and small enterprises. Services for employers are specific in a specific manual describing all processes for communication, counselling, mediation and matching.

The use of digital **channels of service provision** was diversified as one reaction to the COVID-19 pandemic. Today, a variety of services are available via online tools, but considerable space for improvement of digital services could be observed during the peer review.

The **active labour market policies (ALMPs)** of the PES cover most of the types of ALMPs of the EU classification, specifically training, wage subsidies, measures promoting entrepreneurship and self-employment and direct job creation. The most prominent ALMPs are the wage subsidies for youth with 2,500 participants and the general wage subsidy scheme with almost 2,000 participants in 2021 while measures to promote entrepreneurship and self-employment had almost 1,900 participants, and the Internship programme around 1,400 participants. Among the training programmes, the Training for in-demand occupations with was the most important one with 400 participants in 2021.

Different to the other WB economies, the **economy and the labour market of North Macedonia** remained relatively stable. Activity and employment rates went down but not as dramatically as in other economies which was a result of an increased employment of women compensating job losses of males. In addition, the unemployment rate was characterised by a downward trend between 2019 and 2020 in North Macedonia. The decrease of 0.8 percentage points was mainly due to a drop of the female unemployment rate which fell from 18.6% (2019) to 16.1% (2020) while the male unemployment rate slightly increased from 16.6% (2019) to 16.9% (2020). However, the unemployment rate in North Macedonia remains considerably higher than the EU average with a difference of 9.4 percentage points. The decreasing unemployment rate of women in North Macedonia might again be explained by more favourable conditions in the health and care sector during the COVID-19 pandemic

Since the ESAP 1 project, there have been some **important changes and developments in the PES**, namely first of all the implementation of the Employment and Social Reform Programme 2020 and its renewal as Employment and Social Reform Programme 2022. Both have determined and continue to determine the mission of the ESA. A second very important change was the implementation of the Youth Guarantee for tackling the high degree of youth unemployment in North Macedonia as well as to reduce the number of NEET.

Among the **strengths of the PES** identified during the peer review, the good organisational structure, the strong cooperation with strategic partners, the implementation of a quality management system (based on ISO 9001-2015 and CAF), the standardisation of processes, the Operational Plan describing all ALMPs, the high level of transparency and accountability, the modern IT-system and the long experience and competence in implementing projects financed by international organisations can be highlighted.

The **suggestions and recommendations for enhancement** which are a key result of the self-assessment and the peer review focus on a number of areas. First of all, an increased diversification of the ALMPs in order to meet a more and more complex structure of registered unemployed could help to increase the effectiveness of ALMPs. In addition, also investing in specialised human resources, e.g. by hiring professional counsellors and psychologists could help to provide services which are better targeted to the needs of vulnerable groups. On a more general basis, the improvement of the human capital at the ESA could be achieved by introducing strategic and continuous career planning, providing conditions for working from home, and implementing non-financial incentives/motivation for employees.

Promoting more decentralisation and creating incentives for local initiatives can be recommended to better use the innovation and change potential of subordinate levels and of the ESA's partners in the local context. Performance could also be increased by a further digitalisation of services and by improving cooperation with social partners and all relevant Ministries. For strengthening evidence-based managerial decisions, the improvement of internal capacities for performing evaluations of the ALMPs on a regular basis could be recommended. Finally, we recommend that the eligibility for various types of social measures should not be conditioned by the registration status with ESA. In this case the number of registered unemployed might be considerably inflated and does will not reflect the real needs of the unemployed population.

Among the **good practices** of the PES identified during the peer review, the implementation of a counterfactual analysis for different ALMPs is highlighted. This counterfactual analysis showed what works for whom under which circumstance and identified net effects of the different ALMPs. In addition, it helped to assess the efficiency of the ALMPs implemented in North Macedonia.

The Youth Guarantee project, implemented since 2018, can also be considered as an important practice giving inspiration to other WB economies on how combine different measures with the objective of reducing unemployment among young people and the high number of NEET.

# 1. Introduction

This report outlines the results of the second Bench-learning (BL) exercise carried out by the Employment Service Agency of North Macedonia (ESA) (further in text referred as Public Employment Service (PES)), in the framework of the WB PES Bench-learning cycle facilitated by the Regional Cooperation Council (RCC) Employment and Social Affairs Platform 2 (ESAP 2) Project.

This BL exercise includes the PES self-assessment, the 1.5-days peer review which was hosted by the PES in North Macedonia and took place in Ohrid from 8 to 9 June 2022. Apart from representatives from the PES of North Macedonia and the representative of the Ministry of Labour and Social Policies of North Macedonia, the peer review was attended by peer PES representatives from Albania, the three PES of Bosnia and Herzegovina (PES of Federation BiH, PES of Republika Srpska, PES of Brcko District), Kosovo\*, Montenegro, Serbia, EU PES (Croatia), local expert who supported the process of completing the self-assessment, the RCC ESAP 2 team and one external consultant from the contractor supporting the PES Bench-learning process (ICON/ISG).

The WB PES performance self-assessment follows the EU PES BL assessment framework adapted to the needs and circumstances of the WB region, to large extent it uses the EU PES excellence model as a benchmark. Compared to the 1st WB PES BL cycle, in addition to the core PES performance drivers the PES performance on crisis management and the impact of the COVID-19 pandemic on the overall PES performance were discussed.

The time and resources invested by the ESA for conducting their PES self-assessment and preparation for the peer review as well as the PES staff efforts to provide the PES administrative quantitative data in compliance with the formal requirements for data collection were critical to its success.

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

## 2. Description of the PES

The Employment Service Agency of North Macedonia (ESA) was founded by the Government of North Macedonia as a public institution whose operations are based on a number of legal acts, strategies, action plans and programmes that concern various labour market aspects. The **main activities** of the ESA are the following:

- intermediation for employment,
- counselling for employment,
- professional orientation,
- insurance in the case of unemployment,
- providing active labour market programmes and measures,
- issuing personal working licenses for foreign workers and providing opinion for quota accomplishment and the actual needs on the labour market in North Macedonia,
- creating analytical, development and specialized materials in the domain of the ESA work,
- providing public information about the labour market.

The ESA is also in charge for processing applications regarding unemployment benefits granted in case of unemployment as specified in the Law for Employment and Insurance. The responsibility for monitoring the implementation of ALMPs and unemployment benefit schemes is within the Ministry of Labour and Social Policy (MoLSP).

The ESA is managed by the **Management Board** composed of nine expert members having knowledge or experience in the field of employment, of which five are appointed by the Government of North Macedonia, two by the Association of Employers and two by the Association of the Representative Union for a period of four years, and are eligible for re-election.

The Government of North Macedonia through the MoLSP prepares the National Employment Strategy, as well as the annual Employment Action Plans, whereas the Active labour market policies (ALMPs) and labour market services are defined in the Annual Operation Plans of the ESA. The ESA supports the design of these strategic documents and takes the main role in their implementation.

The ESA fulfils its activities throughout its Head Office in Skopje and 30 local Employment Centres. The Head Office of the ESA is responsible for the management, coordination, budgeting, planning, monitoring of results, as well as the specialised support to the Employment Centres making sure that services are carried out in a consistent and comparable way across the economy. The local Employment Centres are responsible for providing the services indicated above to unemployed persons and employers and for implementing concrete measures of ALMPs.



The **medium-term objectives** of the ESA are the following:

- Development of the ESA services in order to increase the labour force competitiveness and to meet the labour market needs;
- Development of the human resources potentials and the administrative capacity of the ESA for creating and providing new services on the labour market;
- Achieving a significant role of the ESA on the labour market through establishing partner relationships with other factors in creating and realization of the employment policies.

In this context, in **2022 the ESA particularly focuses** on the following:

- Increasing the efficiency in dealing with employers. Progress is assessed on bases of the increased number of employers that benefit from ESA's services and of hirings of registered unemployed persons;
- Individual approach in dealing with unemployed persons, by their profiling and preparation of individual employment plans, employment counseling, career guidance etc.;
- Providing high quality implementation of the ALMP measures;
- Increasing the integration of specific target groups into employment, such as long-term unemployed, youth, women, disabled, beneficiaries of the social assistance and other unemployed persons with reduced opportunities on the labour market.

The goals will be achieved by realisation of the following **tasks**:

- Providing efficient, effective and timely services for the jobseekers and employers;
- Continuous creation and implementation of employment programs and measures;
- Support to employers in creating new and better jobs;
- Support for employment of persons with reduced labour market opportunities;
- Special attention to youth unemployed by their integration in projects implemented within the Youth Guarantee (YG) scheme;
- Enhancing the capacities of unemployed persons, as well as of the ESA personnel through various training sessions;

In line with the **continuous modernisation of its services**, the ESA undertakes the following activities:

- The services are adjusted to the needs of employers and jobseekers;
- All Employment Centres provide standardised services for the employers, unemployed and other customers;
- Application of an individual working approach adjusted to the specific needs of the customers;
- Implementation of the ALMPs and measures for satisfying needs of different target groups (youth unemployed, long-term unemployed, social assistance beneficiaries, other vulnerable

categories of unemployed, persons with reduced labour market opportunities, and other target groups of unemployed);

- Timely information about the activities that are regularly carried out by the ESA.

The **Annual report** of the ESA and the **periodic reports** related to specific operations carried out by the ESA contain information about the results from performance measurement, and are prepared in the predetermined form.

The **legal and administrative framework** for implementation of services is provided by:

- The Law for change and amendment of the Law for employment and insurance in the case of unemployment;
- The Statute of the Employment Service ESA;
- the Plan for implementation of Youth Guarantee;
- The Operational Plan for the active measures and employment services;
- The Employment and Social Policy Reform Program (ESRP).

Because of its huge importance, the **ESRP deserves a specific attention**. Its current version was prepared according to the Integrated Directions of Europe 2020 for Economic and Employment Policies in the EU Member States and distinguishes a certain number of outcome and process indicators for measuring progress and achievements over time for all its intervention areas. Some of these are directly connected to activities and services carried out by the ES. As an example, the ESRP sets up in total ten indicators for measuring the improvement of the unemployment conditions, particularly among the vulnerable categories (youth, long-term unemployed and others. Five additional indicators refer to the progress made in improving the quality of working and the services of the ESA.

Furthermore, the **Operational Plan** mentioned above defines the types of employment programmes and measures, the target groups for each programme, the indicators for measuring achievements, the required financial means and financial sources, as well as the precise activities and the time frame for realisation. Apart from a detailed overview of the planned activities, the Operational Plan describes all involved institutions and deadlines for realisation of each programme/measure and the standards for monitoring the activities in the frame of the operational directions. The Operational Plan which is approved by the Government on a yearly basis defines that the monitoring is performed “as regular monitoring at local level by the Employment Centres and on a national level”. In practice, this means that monitoring is carried out at a monthly, quarterly and annual basis in cooperation between the MoLSP, the national coordinator, the national director and the Steering Committee. The operational directions for the realisation of the Operational Plan additionally specify the necessary procedures and documentation for each ALMP in the Operational Plan.

It is important to emphasize that all monitoring within ESA is completely supported by its **own IT system**. All decision-making processes at strategic and operational level can therefore rely on a solid basis for gathering and processing of required monitoring information. In addition, with respect to acquiring feedback information from the customers, the ESA carries out customers’ satisfaction

surveys which refer to soft indicators, as for example satisfaction about answers to questions raised at the meetings with employers, response related to received complains etc.

One very important information sources concerns the ESA's customers: the ESA keeps records about the unemployed persons and other persons who look for jobs according to the Law of Employment and Insurance in the case of unemployment.

**Registration rules** at the ESA foresee that persons are regarded as unemployed, if they meet the following criteria:

- registered as jobseeker with the ESA,
- not being employed
- actively seeking job
- being in a condition to work
- able to accept an adequate employment offered by the ESA.

Other persons can register as jobseekers but not as unemployed. This mainly refers to persons who look for a job and who are already economically active or are inactive, but do not search for a job actively and/or are not in condition to accept work. The unemployed persons who receive an unemployment benefit are automatically registered as unemployed and regarded as active jobseekers exercising the legally declared rights as unemployed persons.

For registered unemployed, the ESA provides all foreseen services such as entry in the register, intermediation for employment, profiling, disbursement of an unemployment benefit, professional orientation and career counselling, and referral to ALMPs and measures.

The budget of the ESA with which all services and ALMPs are financed are defined in an annual budget, which is a part of the central budget of North Macedonia. Allocation of resources and its expenditure are strictly centralised, which means that the local Employment Centres do not have own budgets, but all resources are provided by the Head Office of the ESA which approves spending at the local level.

As can be seen in Table 1 below, the budget of the PES displays a significant increase of about 33.0% from 2018 to 2021. This is a development which can be observed in most PES and is most likely due to measures for softening the impact of the COVID-19 pandemic. The increase of the budget is above average with view to expenditures for ALMPs (+56.1%) and for other expenditures (+47.2%), while remaining moderate in other areas (expenditures for benefits: +17.4%; expenditure for staff costs: +12.6%). At the same time, there is even a decrease in the expenditures for other running costs (-2.5%).



The decrease in staff costs is not mirrored by the development of total PES staff from 2018 to 2021. The decrease is consistent over time, and compared to 2018 staff numbers diminished by 10.7%. There are currently 384 FTE employed at the ESA, and the majority of them (82.8% in 2021) are in charge of exclusively servicing jobseekers. Considering the number of unemployed persons, the average number of registered unemployed persons per counsellor working exclusively with jobseekers amounts to around 270 (2021) which points to a relatively low caseload for counsellors in comparison to the other PES of the WB economies.

## 3. Description of services and ALMPs

The PES provides services to both employers and jobseekers and implements a broad range of ALMPs. All of its services follow clearly defined internal processes and work flows in line with legislative requirements. Descriptions of these standardised processes are summarised in guidelines available to all staff. Setting up all processes according to the ISO 9001-2015 standard is a unique feature of the ESA among all other PES in the WB economies.

The process of **services for unemployed jobseekers** starts immediately after registration with the **profiling**. The ESA implements profiling of unemployed persons based on a questionnaire focusing on the customers' employability. As a result, customers are classified in three categories or segments:

- (1) those who are directly employable,
- (2) those with moderate difficulties and
- (3) those with considerable difficulties for employment.

The profiling is performed by trained staff in all 30 Employment Centres. Customer's information collected in the profiling process contains the following:

- Educational attainment;
- Participation in raining and training results
- Formal qualifications;
- Informal skills
- Additional information such as individual and household situation, health conditions, individual and household problems, environment, dwelling etc.).

The profiling is repeated whenever the labour market status or the individual situation of the unemployed person changes, such as integration in the labour market, repeated unemployment, upgrade of education and/or skills or change in the personal or household status.

On the basis of profiling results, jobseekers' counsellors can refer the unemployed jobseeker to specialised external services to reduce any identified barrier for the (re-)integration into the labour market.

The concrete decision, to which measure a jobseeker with specific needs is referred to, not only depends on the results of the profiling. In addition, the Operational Plan of the ESA defines target groups among unemployed persons for each specific ALMP. In other words, a participation of

unemployed jobseekers in a specific ALMP measure depends on profiling results and the target group definition of this specific ALMP.

As any other process, profiling is carried out according to specific guidelines and tools for profiling described in detail in a Manual. Depending on profiling results, the **level of employability** of each unemployed jobseeker and his / her individual needs, an **Individual Employment Plan** is prepared. It summarises the pathway for a successful labour market integration including all duties and responsibilities of the unemployed persons and the Employment Centre in the integration process. It is prepared in written and digital form and signed by both parties. Depending on the degree of employability and the category / segment to which the unemployed jobseeker is classified, the Individual Employment Plan contains the following:

- In the case an unemployed jobseeker is categorised as directly employable a standard version of the Individual Employment Plan is immediately prepared.
- The same applies for unemployed jobseekers which fall into the categories of unemployed with moderate difficulties for integration into employment.
- If the unemployed person is categorised as unemployed jobseeker with considerable difficulties for employment, the jobseekers' counsellor in the Employment Centre arranges a meeting in the following 30 days to prepare a detailed version of the Individual Employment Plan specifying the individual needs and the measures which should help to lower the labour market barriers. As indicated above, this can include training, counselling, guidance, orientation as well as subsidies to employers etc. and/or referral to public work schemes.

The Law on Employment and Insurance against Unemployment stipulates that an Individual Employment Plan has to be drawn within thirty days from registration as a means to ensure the delivery of job search assistance early in the unemployment spell. Among the **employment services** typically provided to clients, two deserve specific attention:

- first is the **work preparedness training** targeting first-time jobseekers.
- second service is **job mediation**, provided upon the specific request of employers.

In addition to these services, unemployed jobseekers may be referred to ALMPs on basis of their individual profiling results and if the target group conditions of the specific ALMP is met. According to the Operational Plan, the available ALMP measures can be classified into the following categories:

- measures and programmes that are aimed at a direct creation of jobs or self-employment. Examples for **job and self-employment creation schemes** are
  - wage subsidies for employers;
  - self-employment programmes motivating unemployed jobseekers to create their own businesses;
  - public work programmes etc.

- **labour market training programmes.** The objective of these programmes is to improve the skills and qualifications of the jobseekers to facilitate their labour market integration. Examples for these programmes are
  - the internship programme;
  - various training programmes for unemployed jobseekers (see also Table 2).

Which kind of ALMPs are offered is decided on an annual basis and takes into consideration forecasted needs of registered unemployed as well as the effectiveness of ALMPs' prior implementation. For measuring and assessing the effectiveness, administrative data on employment of participants is used. Within the regular monitoring exercises, employment outcomes of different ALMPs are compared.

The unemployed persons are required to present themselves at the Employment Centre every 30 days in order to assess the progress achieved in the job search process and to adjust, if necessary, the measures and activities described in the Individual Employment Plan. However, a revision of the Individual Employment Plan is automatically carried out every six months, usually after an unemployed jobseeker has participated in a training or benefitted from counselling or any other service or measure described in the Individual Employment Plan for the integration into the labour market.

An outstanding characteristic of the ESA in comparison to other PES in WB economies is its **strong focus on youth-related measures** within its early intervention approach to avoid unemployment. In 2018, the (pilot) Youth Guarantee was implemented on basis of the Economic Reform Programme 2017-2020 and the Action Plan for Youth Employment 2020. Since 2018, the (pilot) Youth Guarantee measures were included in the Operational Plans for ALMPs and employment services to be delivered. The strategic approach, its implementation and all operational activities have been summarised in the Plan for the Implementation of the Youth Guarantee in North Macedonia.

The **Youth Guarantee** ensures that every young person is offered a job, further education or work-focused training at the latest four months after leaving education or after becoming unemployed. This is provided within the period of four months from the registration as unemployed person.

On the basis of its positive experiences connected with the Youth Guarantee, the ESA currently adjusts its activities and has already started implementing new working methods for better tackling specific unfavourable situations of youth, such long-term unemployment and other related problems. In this context, the cooperation with other institutions such as educational and youth organisations has been enhanced.

As already mentioned above, the ESA contracts out service delivery to **external providers** whenever necessary and possible. In general, the ESA performs all key functions of PES including the collection and dissemination of labour market information, employment counselling and career guidance to unemployed jobseekers, job placement and implementation of of passive and active labour market programmes. The engagement of external service providers is defined in the Operational Plans for ALMP/Ms and employment services, where MoLSP jointly with the ESA and



other relevant partners make decision for engaging external service providers. These decisions take into consideration

- available resources to conduct the service delivery directly by the ESA;
- availability of external providers with capacities and relevant competences to effectively and efficiently deliver the services required;
- capacity of ESA to monitor the delivery of the services by external service providers.

In general, the procedures for planning, contracting and payments are centralized. External service providers must be verified and accredited for the delivery of specifically defined types of training programmes and other services such as job assistance, motivational training, counselling and guidance, basic IT literacy, languages, business development etc. These service providers are private companies, NGO, VET centres etc. Depending on the service, verification and accreditation is carried out by the Ministry for Education and Science, the Centre for Adult Education or the chambers

Regarding the **services for employers**, the other main group of PES customers, the approach of the PES is based – again – on a specific Manual describing all processes for communication, counselling, mediation and matching. The services for employers are based on an annual analysis of skill needs on the labour market. The analysis is providing both information about the short-term needs of employers for the skills and workforce and medium and long-term developments on the labour markets. The results from these needs' analysis are the basis for cooperation between the ESA and the employers. The services of ESA are generally available for all employers, but specific services and measures reflect the specific needs of micro and small enterprises.

Specific functions have been created at level of each local Employment Centre for servicing employers. As an important partner of the employers, the ESA is especially involved in activities for

- linking the supply and demand of labour,
- organising regular forums of employers,
- organising job fairs at the regional level, and
- creating and implementing ALMPs which take into consideration employers' needs with a specific view on competences and skills which are needed.

At the Head Office, a Department for Employment Services has been created. This department coordinates and monitors all activities referring to employers at the local level and offered by all 30 Employment Centres via employers' counsellors. The provision of services for the employers including the intermediation for employment is carried out according to clearly defined processes and responsibilities that are specified in two specific manuals (the Manual for dealing with employers and the Manual for intermediation for employment). The Department for Employment Services in the Head Office uses the data from the IT system, regular reports, continuous contacts to and periodic meetings with employers to assess the activities undertaken by the employers' counsellors at the local level with respect to providing services for employers.

At the ESA, matching is defined as 'intermediation for employment'. As indicated above, it is considered one of the main services provided by the ESA to the employers. As described in the Operational Plans and especially in the Manual for intermediation for employment matching starts after an employer asks the local Employment Centre for support in filling a vacancy. The description of the vacancy is distributed to five registered unemployed persons that correspond to the described needs described in the employers' request. The process is carried out in two steps:

- (1) general search from the data base and additional refined selection by the officers in the Employment Centers.
- (2) the employer is given the opportunity to interview the potential candidates in the premises of the Employment Centers but also in the employers' own premises.

Table 2 gives an overview of all **ALMP** measures and programme implemented in North Macedonia.<sup>1</sup> With a share of 21.5%, wage subsidies for youth within the Youth Guarantee are the most dominant ALMP implemented by the ESA, followed by wage subsidies (17.0%), the financial support for self-employment (16.1%) and the apprenticeship programme (12.1%), while the remaining ALMPs are of lesser relevance quantitatively.

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<sup>1</sup> The list of ALMPs is subject to change depending on the annual Operational Plans.

Table 2: List of ALMMs in North Macedonia according to the Operational Plan in 2021

No.	ALMM	Description	No. of participants
1	Financial support for self-employment (entrepreneurship)	Support of unemployed people to start their own businesses	1,877
2.1	Wage subsidies	Provides monetary subsidy for employed persons from the target groups for a period of 3, 6 or 12 months	1,978
2.2	Employment and growth of legal entities	Support of creating new jobs in micro, small and medium sized enterprises, social enterprises or civil organisations	353
2.3	Support for employment of disabled people	Increasing the employability and the employment opportunities of disabled unemployed jobseekers	210
3.1	Training for known employer	Acquiring skills by the registered unemployed for performing working tasks according to the employers' needs	152
3.2	Training for specific skills on demand by employer	Training for vocational qualifications by certified providers according to the employers' needs	280
3.3	Training for in-demand occupations	The aim is to meet the needs for demanded occupations, crafts and social services that lead to opening "green jobs" or e-commerce	400
3.4	Training for drivers	The aim is to increase the employability of unemployed workers by providing training for the C, D and E category driving license	50
4.1	Training for advanced IT skills	The aim is to meet the needs for advanced IT skills among registered unemployed workers	300
4.2	Training for advanced IT skills with co-financing	The aim is to upskill the unemployed people with minimum secondary education in the field of IT in order to increase their competitiveness and labour market integration	100
5	Internship programme	Acquiring practical knowledge and skills for performing working tasks on specific jobs	1,413
6	Public works	Inclusion of unemployed people with low qualifications in infrastructure and environmental projects at local level	1,050
7.1	Community work program	Increasing the employability by engaging the unemployed people in provision of social healthcare services at local level	750
7.2	Training for community care services	Support of unemployed people for acquiring qualifications and skills for providing community care services	150
7.3	Support of legal entities who provide community care services	Support for creating new jobs by opening new legal entities who will provide community care services	70
8	Wage supplement for youth	Increasing the employment of youth people (up to 23) in the production industries after completing the secondary education	2,500
<b>Total</b>			<b>11,633</b>

## The LMP database

LMP statistics are one of the data sources for monitoring the Employment Guidelines. The guidelines specifically refer to the provision of active labour market policies, which cover LMP measures and LMP services, and adequate social security systems, which include LMP support.

The scope of LMP statistics is limited to public interventions which are explicitly targeted at groups of persons with difficulties in the labour market: the unemployed, persons employed but at risk of involuntary job loss and inactive persons who would like to enter the labour market. Data on public expenditure and participants (stock and flows) are collected annually from administrative sources. According to the LMP methodology, labour market interventions are classified by type of action.

- **LMP services** cover all services and activities of the public employment service (PES) together with any other publicly funded services for jobseekers.
- **LMP measures** cover activation measures for the unemployed and other target groups including the categories of training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives.
- **LMP support** covers financial assistance that aims to compensate individuals for loss of wage or salary (out-of-work income maintenance and support, i.e. mostly unemployment benefits) or which facilitates early retirement.

The quantitative data on expenditure and participants are complemented by a set of qualitative reports which describe each intervention, how it works, the main target groups, etc.

Source: <https://ec.europa.eu/social/main.jsp?catId=1143&intPageId=3227&langId=en>

Table 3 presents the list of services and ALMP measures provided by the ESA (in the right column of the table, highlighted with contrasting colour) and how they correspond to the classification of the PES services and measures of the Labour Market Policy (LMP) database briefly introduced in the text box (in the left column of the table).

Table 3: **ALMPs and services provided by the ESA by LMP DB categories<sup>2</sup>**

<b>1.</b>	<b>Labour market services</b>	
	are all services and activities undertaken by the PES together with services provided by other public agencies or any other bodies contracted under public finance, which facilitate the integration of unemployed and other jobseekers in the labour market or which assist employers in recruiting and selecting staff.	
1.1.	Client services	<ul style="list-style-type: none"> <li>- Profiling</li> <li>- Career counselling, guidance and orientation of unemployment jobseekers</li> <li>- Job search assistance</li> <li>- Individual Employment Plans</li> <li>- Counselling and motivation for the beneficiaries of the Guaranteed minimum assistance Counselling employers</li> <li>- Job mediation for employers</li> <li>- Matching of unemployed jobseekers and vacancies</li> </ul>
1.2.	Other activities of the PES	<ul style="list-style-type: none"> <li>- Administration of LMP measures</li> <li>- Surveys and forecasts</li> </ul>
<b>2.</b>	<b>Training</b>	
	covers measures that aim to improve the employability of LMP target groups through training, and which are financed by public bodies.	
2.1.	Institutional training	<ul style="list-style-type: none"> <li>- Training for specific skills on demand by employer</li> <li>- Training for in-demand occupations</li> <li>- Training for drivers</li> <li>- Training for advanced IT skills</li> <li>- Training for advanced IT skills with co-financing</li> <li>- Training for community care services</li> </ul>
2.2.	Workplace training	<ul style="list-style-type: none"> <li>- Training for known employer</li> </ul>
2.3.	Alternate training	
2.4.	Special support for apprenticeship	<ul style="list-style-type: none"> <li>- Internship programme</li> </ul>
<b>4.</b>	<b>Employment incentives</b>	
	covers measures that facilitate the recruitment of unemployed persons and other target groups, or help to ensure the continued employment of persons at risk of involuntary job loss.	

<sup>2</sup> The following category "3. Job rotation and job sharing", is not used anymore in the Classification, thus it is excluded in this Table –this category is included in category 4, per the EC Labour market policy Statistics - Methodology 2018, downloadable at ([Publications catalogue - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](#))

4.1	Recruitment incentives	<ul style="list-style-type: none"> <li>- Wage subsidies</li> <li>- Employment and growth of legal entities</li> <li>- Support for the employment of disabled people</li> <li>- Wage supplement for youth</li> </ul>
4.2	Employment maintenance incentives	
4.3	Job rotation and job sharing	
<b>5.</b>	<b>Sheltered and supported employment and rehabilitation</b>	
	covers measures that aim to promote the labour market integration of persons with reduced working capacity through sheltered or supported employment or through rehabilitation.	
<b>5.1</b>	Sheltered and supported employment	
<b>5.2</b>	Rehabilitation	
<b>6.</b>	<b>Direct job creation</b>	
	covers measures that create additional jobs, usually of community benefit or socially useful, in order to find employment for the long-term unemployed or persons otherwise difficult to place.	
		<ul style="list-style-type: none"> <li>- Public Works</li> <li>- Community work programme</li> <li>- Support for creating new jobs by opening new legal entities who will provide community care services</li> </ul>
<b>7.</b>	<b>Start-up incentives</b>	
	covers measures that promote entrepreneurship by encouraging the unemployed and other target groups to start their own business or to become self-employed.	
		- Financial support for self-employment (entrepreneurship)

An important programme within the ALMPs implemented by the ESA is the **Self-employment programme**. Its objective of the Self-employment programme is the support to unemployed persons registered with the ESA to start their own business. The programme refers to registered unemployment in general, but specifically addresses (1) unemployed young people up to 29 years of age, (2) unemployed persons with disabilities, (3) unemployed women belonging to vulnerable and marginalized groups, (4) unemployed persons who like to formalise their business, (5) unemployed Roma and (6) persons who are unemployed due to the Coronavirus as specific target groups. Beneficiaries receive up to MKD 307,500 (as single entrepreneur) or up to MKD 615,000 (in case of establishment of a legal entity by two members). To receive the support, applicants have to submit a successfully filled in questionnaire and present a business plan (with special emphasis on the competition analysis and SWOT analysis of the candidate), which has been positively assessed by an expert committee. Persons with disabilities who shall be selected to register a legal entity with support from the programme will be provided an opportunity to follow on-line training on “Entrepreneurship and development of entrepreneurial skills” and also mentorship with the duration of at least 120 hours for the development of the positively assessed business plans.

As can be seen above, **wage subsidies** – especially for youth – are the most important ALMP measures implemented by the ESA. They have the objective to support the employment of the unemployed persons who experience difficulties in entering the labour market. Target groups of wage subsidies are the following:

- long-term unemployed persons (over 12 months in the register, with priority assigned to persons with unemployment spells over 5 years)
- young people up to 29 years of age
- persons over 50 years of age
- unemployed persons whose employment has been terminated during the COVID-19 pandemic
- people who returned from abroad due to the COVID-19 crisis
- beneficiaries of guaranteed minimum assistance
- beneficiaries of unemployment benefit
- persons who have the status of children without parents and parental care
- victims of domestic violence
- persons with disabilities
- Roma women and women from other ethnic communities
- persons belonging to the Roma ethnic community
- persons who have resolved their status and obtained personal identification documents
- single parents
- parents of children with impaired development
- parents of three or more children
- parents of street children
- convicted persons following their release from the penitentiary institution
- homeless persons
- persons who failed to complete secondary or lower education

Wage subsidies are granted to micro, small and medium-sized enterprises, social enterprises, and civil (not-for-profit) organisations pursuing an economic activity for each person employed out of the target groups mentioned above and for a duration of three, six or twelve months. In addition, new enterprises established under the Self-Employment Programme in 2020 can submit applications as well. Depending on the duration of benefit payment the employer must retain the employed person for a minimum period which is

- 9 months for a subsidy of 3 months;
- 18 months for a subsidy of 6 months;
- 18 months for a subsidy of 12 months (for beneficiaries of guaranteed minimum assistance,

unemployed persons whose employment has been terminated in the period following 11.03.2020 due to the COVID-19 pandemic and the Roma), and

- 30 months for a subsidy of 12 months.

Another important group of ALMP measures refers to **training** of registered unemployed jobseekers:

- The **On-the-job training for a known employer** whose aim is to help the unemployed persons acquire the skills necessary to carry out the work tasks in accordance with the employers' needs. Persons attending training receive a monthly allowance of MKD 9,000, including insurance against disability and bodily injuries caused by occupational injuries and illnesses and personal income tax for up to three months of duration of the training. In addition, The employer receives a lump sum amount of MKD 15,000 per trained person following the completion of the training.
- Within the **Professional qualifications training according to the needs of the employers**, specific professional qualifications are provided to registered unemployed jobseekers by verified training providers in accordance with the needs of the employers. The training is provided by external training facilities in close cooperation with the employers. Again, persons attending training shall receive a monthly allowance of MKD 9.000, including insurance against disability and bodily injuries caused by occupational injuries and illnesses and personal income tax for two to four months of duration of the training. In addition, the employer may increase the amount of the monthly allowance for the duration of the training through co-financing, which shall be reflected appropriately in the agreement. The training receive a fee in the amount up to MKD 30,000 per trainee.

**Internships** also play an important role for the integration of young people into the labour market. Their purpose is the acquisition of practical work knowledge and skills required to perform the work tasks at specific jobs. Target group of the programme is formed by registered unemployed jobseekers up to 34 years of age who completed at least secondary education. The persons participating in the Internship programme shall receive a monthly allowance of MKD 9.000, including insurance against disability and bodily injuries caused by occupational injuries and illnesses and personal income tax) for a period up to three months.

In comparison to other WB economies, **public work programmes** are less important in terms of quantitative numbers of participants. However, they do offer a pathway to employment especially for specific vulnerable groups. As consequence, public works in North Macedonia mainly aim at providing social inclusion of hard-to-employ persons in order to help them acquire certain skills and integrate them gradually in the labour market through the implementation of municipal infrastructure and environment protection projects at local level.

Another important ALMP measure in this context is the **community work programme**. It aims at the inclusion of unemployed persons for the purpose of acquisition of knowledge, skills and competencies to provide care services in the community and an opportunity for work engagement and employment as formal service providers in the care economy, in accordance with the needs of



the citizens at local level. This programme also supports job creation by establishing new business entities (service providers) or supporting existing enterprises and non-governmental organisations. Its overall objective is to increase the employability through work engagement of unemployed persons, aimed at providing social and healthcare services at local level

As highlighted above, the implementation of the **Youth Guarantee** is of outstanding importance within the labour market but also the educational policy of North Macedonia. With a series of measures, the Youth Guarantee aims at enabling young people up to 29 years of age, who are neither employed, nor in education or training (NEET) to receive a suitable job offer, continue their education or to be involved in any of the active employment programmes and measures implemented by the ESA, in a period of four months after their registration as unemployed persons in the Employment Service Agency.

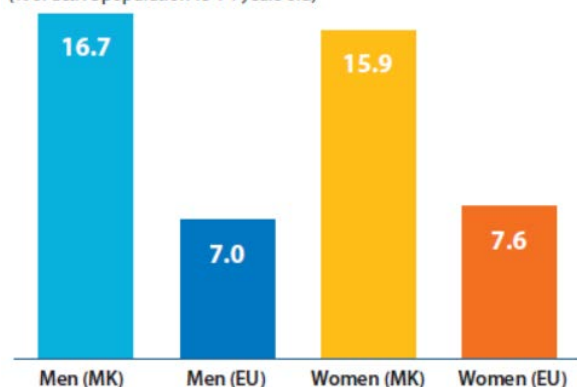
The Youth Guarantee starts with the measures for activation of young people who are registered for the first time as unemployed persons and active jobseekers (inflow). After being registered in the register of unemployed persons, they are immediately referred to their first interview with employees of the ESA, who profile their employability, using a control questionnaire and prepare Individual Employment Plans. These plans define the activities that enable the young unemployed person, in a period of four months, to be re-involved in the educational process (not in regular education) or to be involved in any of the active employment measures or services described above, which will enable to increase the individual employment opportunities or to be offered suitable employment that suits the individual education and skills. Activities include group and individual counselling, providing job search assistance services, motivational training sessions, involvement in any of the measures for labour market integration (employment, education and training measures) and especially the Wage supplement for youth.

## 4. The labour market development 2019-2021

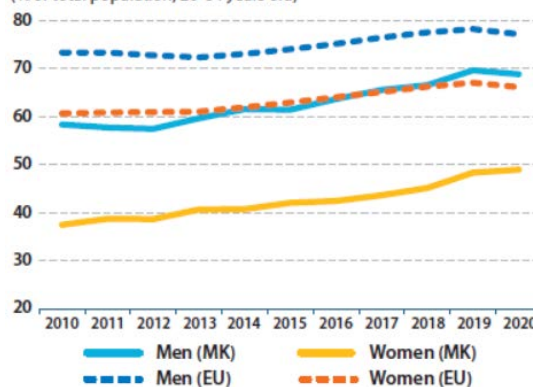
As is the case with almost every economy, the development of the labour market of the last two years has been dominated by the impact of the COVID-19 pandemic, also in North Macedonia. As a consequence, in 2020, North Macedonia has seen a large decrease in GDP under these circumstances as it moved from a yearly GDP growth between 1.1% (in 2017) and 3.9% (in 2019) to a decrease of 6.1% in 2020. Additionally, the economy has also seen a rise of inflation in 2021 with an increase in prices of about 3.2%.

Regarding the labour market, prior to the COVID-19 pandemic, employment rates in North Macedonia have been steadily increasing from 2012 to 2019, reaching a peak of 69.7% among men and 48.4% among women in 2019. Still, it has to be noted that these shares are significantly lower by about 10 percentage points when compared to the EU average. In the following years, between 2019 and 2020, there was a drop in the employment rate for men (to 68.9% in 2020) which can be attributed to the impact of the COVID-19 pandemic. However, the employment rate of women continued to increase slightly, reaching a value of 49.0% in 2020. The fact that the COVID-19 pandemic did not affect women as much as men can be due to the low overall employment of women in North Macedonia and the high share of employed women in the health and care sector which continued to offer job opportunities during the COVID-19 pandemic. Thus, it seems plausible that there were particularly high number of lay-offs in other sectors like industry and services which are of more relevance for the male workforce in North Macedonia.

**Unemployment rate, North Macedonia and EU, 2020**  
(% of active population 15-74 years old)

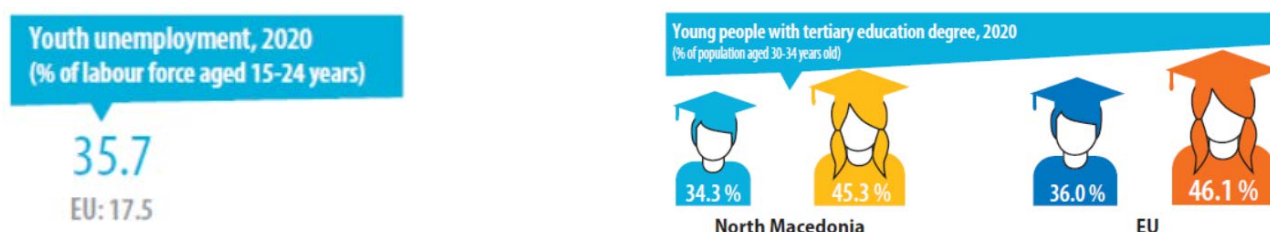


**Employment rate, North Macedonia and EU**  
(% of total population, 20-64 years old)



Unemployment rates in North Macedonia in 2020 were at 16.7% for men and 15.9% for women, more than double the EU unemployment rates for the same year. Youth unemployment is especially worrying with 35.7% of young people being unemployed in North Macedonia, which equals more than one in three young people. Again, this is more than double of the EU unemployment rate in this age groups which was 17.5% in 2020. On a more positive note, there is also the observation that the

share of young people with tertiary education is relatively similar to EU levels for men with 34.3% for North Macedonia and 36.0% for the EU average while somewhat lower than the EU level for women at 45.3% and 46.1% respectively.



Source: Eurostat, *Basic figures on enlargement economies*<sup>3</sup>.

A closer look at more detailed statistics reveals several challenges of the labour market in North Macedonia. For once, the activity rate as displayed in Table 4 is relatively low with a total activity rate of 65.5% in 2020 which is more than 7 percentage points below the EU average of 72.7%. In addition, the differences are even more nuanced for women where the difference between North Macedonia and the EU average amounts to more than 10 percentage points while in the younger age group between 15 and 24 only 23.3% of women in North Macedonia were active on the labour market in 2020, compared to 34.8% in the EU which is exactly 11.5 percentage points more.

Table 4. **Activity rate, %**

Age group	2019			2020			EU-27, 2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>15-24</b>	38.1	25.3	<b>32.2</b>	38.0	23.3	<b>30.9</b>	40.5	34.8	<b>38.1</b>
<b>55-64</b>	67.7	34.7	<b>51.1</b>	69.4	34.8	<b>52.0</b>	69.9	56.2	<b>62.9</b>
<b>15-64</b>	77.3	54.8	<b>66.3</b>	76.7	54.0	<b>65.5</b>	78.2	67.3	<b>72.7</b>

The overall downwards tendency described above is not mirrored by the employment rate, which remained stable at 54.7%, being however still far away from the EU average of 67.0%. Again, the gender-specific differences are stronger for North Macedonia when compared to the corresponding values for the EU average.

Table 5. **Employment rate, %**

Age group	2019			2020			EU-27, 2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>15-24</b>	25.4	15.8	<b>20.7</b>	25.1	14.3	<b>19.8</b>	33.8	29.0	<b>31.4</b>
<b>55-64</b>	60.1	30.3	<b>45.1</b>	60.3	31.3	<b>45.7</b>	65.6	53.1	<b>59.2</b>
<b>15-64</b>	64.4	44.7	<b>54.7</b>	63.6	45.3	<b>54.7</b>	72.1	53.0	<b>67.0</b>

Different to the other WB economies and also from the statistics on activity and employment described above, the unemployment rate was characterised by a downward trend between 2019 and 2020 in North Macedonia. The decrease of 0.8 percentage points was mainly due to a drop of the female unemployment rate which fell from 18.6% (2019) to 16.1% (2020) while the male unemployment rate

increased from 16.6% (2019) to 16.9% (2020). However, the unemployment rate in North Macedonia remains considerably higher than the EU average with a difference of 9.4 percentage points. The decreasing unemployment rate of women in North Macedonia might again be explained by more favourable conditions in the health and care sector during the COVID-19 pandemic.

Table 6. **Unemployment rate, %**

Age group	2019			2020			EU-27, 2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>15-24</b>	33.4	38.9	<b>35.6</b>	34.0	38.6	<b>35.7</b>	16.9	16.7	<b>16.8</b>
<b>55-64</b>	11.3	12.8	<b>11.8</b>	13.1	10.1	<b>12.1</b>	5.2	5.1	<b>5.2</b>
<b>15-64</b>	16.6	18.6	<b>17.4</b>	16.9	16.1	<b>16.6</b>	7.0	7.5	<b>7.2</b>

The PES performance indicators provide some additional insights into the activities of the ESA over the last three years as can be seen in Table 7 below. The monthly transitions from the unemployment register increased during the COVID-19 pandemic from 2,271 in 2019 to 2,693 in 2020. There was a further increase to 2,864 in 2021. Together with the statistical information presented above, this again indicates that the labour market in North Macedonia was not affected as negatively as the labour markets of other WB economies. The only visible trace the COVID-19 pandemic might have left is the clear decrease of vacancies between 2019 and 2020 (-9.5%). However, the number of vacancies in 2021 has already reached the same level as before the COVID-19 pandemic started.

Regarding the transitions from unemployment to employment, the majority of transitions focus on the first 12 months of unemployment. About three out of four jobseekers who get back to the labour market do so within the first twelve months of unemployment. A little bit more than half of the transitions was realised within the first six months of unemployment in 2021. In comparison to previous years with values ranging between 62.6% (2019) and 85.7% (2020) opportunities for a quick return to the labour market have worsened.

Table 7. **PES performance indicators**

Indicator	Unit	2019	2020	2021
Transition from the RU	Average monthly outflow	5.5%	3.0%	4.9%
Transition from unemployment to employment	Average monthly outflow	2,271	2,693	2,864
Fast (within 6 months) transitions	Average monthly outflow	62.6%	71.0%	52.5%
Medium (within 12 months) transitions	Average monthly outflow	77.1%	85.7%	75.4%
Share of RUs employed	Monthly average	2.2%	2.0%	2.0
Number of vacancies notified to the PES per month	Average monthly inflow	34,520	31,237	34,502
Relationship RUs/vacancies	Monthly average	2.97	4.24.	4.11.

## 5. Most important developments since ESAP 1

One of the most important developments since ESAP 1 was the Employment and Social Reform Programme 2020 (ESRP 2020) which was adopted by the Government of North Macedonia in August 2017. Following the adoption of the ESRP Program, the Sector Working Group on Education, Employment and Social Policy ensured regular monitoring and reporting on the progress of implementation of the Programme. In 2018, the first monitoring report on the implementation of the ESRP was prepared and it was reviewed by the Government of North Macedonia in July 2018. After two years of active implementation of the objectives and measures under ESRP 2020 a need arose to revise the Programme. The revision was necessitated by the changes in the setup of the policies, as well as by the current trends and developments, which instigated the need to revise some of the target values in ESRP 2020. Thus, a revision of ESRP 2020 was initiated in July 2019 and the Programme was extended until 2022. The ESRP was revised in terms of content, while maintaining its structure, in principle, so as to provide for continuity in the monitoring of the targets.

The **Revised Employment and Social Reform Programme 2022** defines the reforms and policies that will be implemented in the forthcoming period in the three priority areas:

- (i) Labour market and employment,
- (ii) Human capital and skills, and
- (iii) Social inclusion and social protection.

The revised ESRP 2022 noted the progress made in the two years since the adoption of ESRP 2020, which implied a major revision of the measures and target values of the indicators. The overall process of preparation of the Revised ESRP was carried out in full cooperation, coordination and consultations among all relevant stakeholders (government institutions, international organisations and development partners, civil society and social partners), primarily through their participation in the Sector Working Group on Education, Employment, and Social Policy. The preparation of the revised programme included consultations with the social partners and representatives of the civil society who are engaging in the areas covered by ESRP, in order to inform them about the content of the Revised Programme and obtain their comments, observations and positions. The ERSP 2022 was adopted by the Government of North Macedonia in December 2019.

An important initiative taken by the Government was the programming and implementation of the **Youth Guarantee (on pilot basis)** (see above). The Youth Guarantee in North Macedonia has been implemented for the first time in 2018 as a pilot project in three municipalities: Gostivar, Strumica and Skopje. By taking into account the positive experience, the project was rolled-out and its

implementation is continued. The status of implementation of Youth Guarantee in North Macedonia is presented in Table 4.

Table 8. **The status of implementation of Youth Guarantee in North Macedonia**

Year	Total number of included NEET	Number of employed	Number of participants in active measures	Rate of success
2018	5,266	1,916	281	41.7%
2019	20,302	6,139	1,074	35.5%
2020	25,487	7,424	1,257	34.0%
2021	19,318	6,973	920	41.0%

Source: Ministry of Labour and Social Policy of North Macedonia

The implementation of the Youth Guarantee in North Macedonia is coordinated by a coordinating body composed of representatives from all relevant institutions. The goal of the coordination body is providing better coordination and controlling with reference to the realisation of planned activities. The implementation of the Youth Guarantee is considered as successful if at least 30% of included youth NEET after four months ended up as employed or acquired the necessary skills for employment, a value which has clearly been met in all years of the Youth Guarantee's implementation.

According to the MoLSP, the main success factors for implementation of Youth Guarantee in North Macedonia are the following:

- first, the partnership with an umbrella NGO that covers a number of well-trained specialists for working with youth, and
- second, the active role of the ESA in preparing Individual Employment Plans and referring young persons to relevant services and ALMPs with a high quality.

On the other hand, some opportunities for enhancement have been identified. These refer to (1) the low interest among youth for participation in additional education programmes, (2) the lack of up-to-date validation mechanisms for the informal qualifications and skills, and (3) the lack of second chance study programmes at VET-schools.

## 6. Impact of COVID-19 on the labour market and the PES services

The functioning of the labour market in North Macedonia was partially disrupted due to the COVID-19 pandemic. Although the short-term effects of the COVID-19 pandemic seem to be rather modest in comparison to other WB economies, substantial long-term effects can be expected. In this context, the negative impact of the COVID-19 pandemic is manifested as structural distortions among a number of industries and professions that will have long lasting economic consequences. Therefore, a more substantial restructuring of the economy can be expected. In this context, the most affected are the vulnerable groups on the labour market such as: women, older people, immigrants and the workers with lower levels of education. The last three years have shown that these groups are less likely to be reached by the mitigation and job retention measures that have been adopted in response to the COVID-19 pandemic.

As a response to the crisis, the government devised measures to alleviate socio-economic consequences of the COVID-19 pandemic in six subsequent economic packages. The sets relating to workers and labor market could be roughly classified as

- (1) those aimed to save jobs through subsidising wages and supporting companies' liquidity, and
- (2) those aimed to prevent and/or compensate income loss among citizens.

The first set included subsidising wages and social contributions, deferral of profit tax pre-payments, loans at favorable terms (with zero or subsidised interest), loan guarantees and some sector-specific support. Two key job-retention measures involved a minimum wage subsidy, for the companies experiencing more than 30% decline in revenues during the pandemic compared to the average of 2019, as well as a subsidy of 50% of the social contributions up to the level of the average wage in the hardest hit sectors (tourism, hospitality and transport), both covering the period April-June 2020. According to our estimations, around 60,000 jobs that were at immediate risk to be lost were retained due to the employment-retention measures. This measure has been re-imposed, with narrower eligibility criteria, in the wake of the next pandemic waves, of the autumn 2020 and of the spring 2021.

The second set of measures was directed toward sustaining the living standard of the most vulnerable citizens through increasing the access to services and relaxation of the eligibility criteria for guaranteed minimum assistance (GMA). The relaxation concerned the ownership of a real estate where the household resides, a car older than 5 years and a construction land parcel smaller than

500 m<sup>2</sup>, all of which made applicants ineligible before. In addition, the income criterion was to be assessed on the previous month's receipts, rather than on the previous three, thus allowing quick entrance of households in the GMA system after their income fell due to COVID-19 pandemic. This was particularly important to facilitate a fast safety net for informal workers in particular. As a result of this measure, almost 24,000 people have been rescued from extreme poverty. The relaxed criteria for entering the GMA system continued to apply over 2021. Within the second set, the government deployed two one-off financial aids to low-paid employees, unemployed and inactive citizens in the range from 3,000 to 9,000 MKD in July and December 2020.

The COVID-19 pandemic had considerable impact on the organisation and provision of services by the ESA. Since March 2020, the regular check-in of the registered unemployed for each 30 days was stopped. However, there was a possibility for new unemployed to enter into the registry in order to benefit from the Government measures against the pandemic. In addition, the provision of active measures was completely stopped until the end of 2020. At the beginning of 2021 the operation of the ESA started according to the new circumstances by applying the protection measures prescribed by the Government of North Macedonia. In this context, the workers who lost their jobs due to the pandemic were considered as a specific target group for the ALMP measures such as: employment subsidies, grants for self-employment and some specific training. Since the start of the COVID-19 pandemic, the ESA employees were given possibility to work from home. In addition, the number of employees on-site was drastically reduced by introducing their rotation since all contacts in person with the customers were banned. The regular meetings including the coordination with the Employment Centres were held online.



## 7. Strengths of the PES and development opportunities of the PES

There are several strengths of the ESA worth highlighting but also several areas which were identified during the peer review which display room for enhancement. Both aspects are discussed in this section.

One strength to be mentioned is the **good organisational structure** of the ESA. First of all, strategic management and planning are carried out at a centralised level, while all operational tasks are decentralised at level of the 30 local Employment Centres. The targets are determined centrally, but they are disaggregated and take into account the regional disparities. In some cases, the special needs of the unemployed workers in less developed municipalities are addressed by designing ad-hoc measures, as for example training for requalification of textile workers in the Eastern region of North Macedonia during the COVID-19 pandemic or training for tilers in the Polog region especially addressing the Roma population.

The **cooperation with strategic partners** is well-developed and also centralised. If there are some initiatives for cooperation at the local level, the Employment Centre communicates with the Head Office for approval. The successful functioning of the Employment Centres depends to great extent on the interaction with the local municipalities which are important for identifying the specific qualification and employment needs and job potentials in the local community and for actively initiating or supporting projects related to the labour market. In this context, representatives of the Employment Centres often participate in the local Economic and Social Councils or jointly apply for domestic or international projects addressing the unemployed.

Furthermore, the ESA is characterised by a high level of quality assurance by implementation of ISO and CAF standards. For instance, ISO 9001 specifies requirements for a **quality management system** in order to demonstrate the ESA's ability to consistently provide services that meet customers' and applicable statutory and regulatory requirements, and to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements. The Common Assessment Framework (CAF) helps to perform self-assessment with the involvement of all staff. The experiences from the implementation of these standards have also a positive influence on staff performance since they support the process of delegating of responsibilities to subordinate levels of the organisation.

Another strength of the ESA is that all ALMPs and measures in North Macedonia are systematised and clearly described in the **Operational Plan (OP)** which is prepared on a yearly basis. The OP

is an official document that contains detailed explanation of each ALMP including the eligibility criteria, the number of beneficiaries (participants), the selection procedures etc. In the realisation of the OP are involved different institutions such as: ESA, Ministry of Labour and Social Affairs, educational organisations etc. Furthermore, the OP encompasses the financial framework with indicated costs and financial sources for each active measure. While defining the active measures in the OP a number of concerns are taken into consideration such as availability of financial and human resources, the specific needs of unemployed workers, the feedback from monitoring and evaluation of the measures etc. The guiding principles in the realisation of the ALMPs according to the OP is providing gender balance and representation of youth (aged under 29) for at least 30%.

The ALMP measures are designed according to results from the **survey on skill needs** carried out by the ESA as a regular survey with a special focus on skills. The objective of this survey is to provide short-term indicators about the employers' expectations in terms of new employment and skill needs in the following six to twelve months. The survey provides direct information from employers which is its main strength but also has some constraints. The major challenge experienced by the ESA in this context is that employers often do not have detailed information on skill needs, while supervisors who may actually have this information are difficult to reach in a survey. Hence, the ability of employers to answer detailed information on future skills, employment and hiring is limited.

The implemented ALMP measures in North Macedonia are characterised by a **high level of transparency and accountability**. They are monitored on a regular basis in order to assess their appropriate implementation. However, the evaluations of the ALMPs by using rigorous scientific methods are performed sporadically. These evaluations have been carried out by external experts. To our knowledge, there are two published impact evaluations performed for selected number of active labour market programs: a first one covered the period 2008-2012 and was financed by the ILO, while a second counterfactual impact analysis for the period 2018-2019 was financed by the Regional Cooperation Council (RCC) ESAP 2 project. The broad **evidence base** composed of continuous monitoring, constant quality checks according to ISO standards, customers' surveys and forecasts as well as scientific evaluation are used by the management of the ESA for the decision-making process and the strategic and operational planning.

Delivering services efficiently involves placing unemployed in different groups as a function of their needs because they are usually very heterogeneous. In order to improve the effectiveness of the employment services particularly for disadvantaged categories, and **Individual Employment Plan** is prepared. The Individual Employment Plan contains: a summary of the labour market disadvantage of the individual, his/her former occupation, the employment goal, the specific service/programme to be provided, the beginning date of each programme and the anticipated duration, criteria/indicators to be used to determine progress toward achieving the employment goal, the terms and conditions under which the programme will be provided, and the individual rights and responsibilities during the programme.

An additional strength of the ESA is its **modern IT system**. The registry of unemployed workers covers extensive information about the personal characteristics as well as information about the human capital endowments, previous work experience, unemployment history etc. Most of the information are publicly available on the ESA web page such as vacancies available ALMPs for

both employees and unemployed. In this context, there are opportunities for further introduction of online services for unemployed workers and employers. Through its web page, the ESA provides rich statistical data about the following indicators: number of job applications, number of registered unemployed, number of unemployment beneficiaries, number of disadvantaged unemployed as well as indicators from the skill needs survey.

Another core strength of the ESA is the **high degree of standardisation**. All processes are well documented in manuals and described in detailed guidelines. The self-assessment within this project demonstrated that process descriptions not only communicated at all levels of the organisation but are also used in a day-to-day life.

Finally, the huge experience of the ESA in **effectively implementing projects financed by international organisations, and especially the implementation of IPA** (Instruments for Pre-accession Assistance) has to be mentioned. Since 2007, the ESA has implemented the following IPA-funded projects:

- Twinning project “Support to the Employment Service Agency for implementation of Active Labour Market Measures and Services”;
- “Support to the employment of young people, long-term unemployed and women I”;
- “Support to the employment of young people, long-term unemployed and women II”;
- “Strengthening the financial management and internal control system in the Employment Service Agency”;
- “Twining project EURES”;
- “Further Modernisation of the Employment Service Agency”;
- “Supply Contract for strengthening the capacities of ESA”;
- “Supporting employment of young people”.

## 8. Suggestions and recommendations for enhancement

Several core areas which display room for enhancement for the PES have already been touched upon throughout this report. Based on the self-assessment and the results of the peer review the following recommendations are given to the PES to further improve its services to jobseekers and employers.

- Review of the ALMPs: after a continuous reduction of unemployment in the last years, it becomes more and more obvious how heterogeneous the needs of persons remaining unemployed are. The structure of registered unemployed as such is also changing in a way that vulnerable groups and persons with severe difficulties for an integration into the labour market become more and more important. While the customers' structure is changing, ALMPs remained relatively stable over time.

Against this background, **increasing diversification of the ALMP** measures in order to meet a wide range of needs of the registered unemployed could be an adequate response. More precisely, the design of ALMPs can make an important contribution to tackling low pay.

Since for a significant proportion of the labour force a so called 'low-pay/no-pay' trap exists characterised by individuals cycling between unemployment and low paid precarious work, workers can become trapped in low paid jobs or scared by experiencing unemployment. With respect to this, there is a challenging task for activation policies to focus not only on long-term unemployed but to include also a range of retention and advancement strategies for those cycling between low-pay and unemployment.

- As described above, the ESA is a centralised organisation. A centralised organisational structure facilitates rapid interventions whenever needed in an effective top-down approach. The other side of the medal is that experiences, knowledge, initiatives coming from the subordinate organisational levels run the risk of not being fully leveraged. This makes the evolvement of innovation and change more challenging.

**Promoting greater decentralisation and creating incentives for local initiatives** could therefore be a first step to create more bottom-up opportunities using not only the potential, knowledge and creativity of ESA's own staff in the local Employment Centres but also from local partners such as municipalities, schools, VET-centres, NGOs etc. In this context, the local Employment Centres can use a 'master agreement' for cooperation with business entities or NGOs.

- **Partnerships** generally play an important role for the ESA, and numerous partnerships have been initiated by and with the ESA at Head Office level and at level of the local Employment Centres. However, cooperation with social partners seems to have considerable potential for improvement.

Overcoming the lack of coordination among the social partners could help to increase their ability to actively contribute to partnerships and commonly agreed projects. In addition, the cooperation between ministries could be improved. Promoting greater flexibility of the Ministry of Labour and Social Policy and the Ministry of Education could help both avoiding unemployment of youth and improving the relevance of training for registered unemployed.

- We have underlined that ESA has a clear ambition to become an **evidence-based organisation**. A variety of tools has been implemented to collect, structure and analyse different information sources ranging from surveys, to monitoring data and scientific evaluation. However, internal capacities and know-how for systematically generating and using evidence for the decision-making process of managers is missing.

Enhancing internal capacities for performing evaluations of the ALMP on a regular basis could be an important step further. For this purpose, the staff within the Department for Research and Labour Market Analysis can be trained for carrying out standard evaluation methodology. In addition, a continuous cooperation with universities and research centres could help to gain new insights in evaluation standards.

- A positive feature of the ESA is that it equips its staff with guidelines and process descriptions which help to ensure a comparable service delivery by all counsellors in all Employment Centres. With the increased share of difficult to place registered jobseekers from various labour market target groups, it becomes more and more challenging for jobseekers' counsellors to respond in an adequate way offering services reflecting the customers' needs.

Against this background, it is recommended to **enhance the human resource capacities** at the ESA by hiring additional professional counsellors and psychologists. In this way, the quality of the employment services can be considerably improved in line with the increasing needs of the unemployed workers.

Human resource management could also be improved by:

- introducing strategic and continuous career planning,
  - providing conditions for working from home, and
  - implementing non-financial incentives for better motivating employees of the ESA.
- An important challenge that ESA is facing is the **constantly high number of beneficiaries of social welfare** who have to register with the ESA for being able to apply for these benefits. This situation causes a substantial administrative burden for the ESA. Another result of this current practice is, that the number of registered unemployed might be considerably inflated and does will not reflect the real needs of the unemployed population.

We therefore recommend that in future the eligibility for various types of social measures should not be conditioned by the registration at the ESA.

- With the COVID-19 pandemic, the ESA has implemented some **digital services**.

We encourage the ESA to continue on this way and to increase the possibilities for delivering online services for both registered unemployed and employers including the regular registration of unemployed, the application for ALMP measures and the registration of job applications.

## 9. Inspiring (good) practices

While the suggestions for enhancements have been discussed in the previous section, there are also examples of good practices from North Macedonia which are worth highlighting as well and could be inspiring for other WB economies and their PES.

One of the examples of good practice refers to **evidence-based design** and a comparative study of different ALMPs analysing net effects and efficiency on basis of a counterfactual impact analysis (Annex I). In the evaluation, the labour market outcomes of five ALMPs were analysed comparing the labour market performance of training participants with the labour market performance of a control group. Differences among participants and control groups were interpreted as participation or treatment effect. The study showed that participation in ALMPs is not automatically effective and efficient. The differentiated results on “what works for whom under which condition” could help decision makers to better define objectives, target groups and contents of future ALMPs

Another good practice which is especially relevant for all developing PES striving for an improvement of labour market conditions of youth is the implementation of the Youth Guarantee in North Macedonia on pilot basis (Annex II). Youth Guarantee measures play a crucial role in the activities related to the **early intervention to avoid unemployment** among young people. The Youth Guarantee started 2018 as a pilot stage in a limited number of local Employment Centres. Because of its success, it was rolled out between 2019 and 2021 and is now a standard programme for tackling youth unemployment in North Macedonia. One key element for its success was (and still is) the excellent cooperation between the ESA, the educational institutions and specialised NGOs.

## Annex I: Good Practice fiche: Counterfactual impact assessment of ALMMs

<b>Name of the PES</b>	Employment Service Agency of North Macedonia
<b>EVIDENCE-BASED DESIGN AND IMPLEMENTATION OF PES SERVICES</b> <b>Ex-ante and ex-post evaluation</b>	
<b>Title of the policy or measure</b>	Counterfactual impact assessment of ALMMs
<b>Short sentence summarising the practice</b>	Evaluation of selected ALMPs implemented in North Macedonia during the period 2018-2019 including a cost effectiveness analysis by applying counterfactual quasi-experimental method.
<b>Economy</b>	North Macedonia
<b>Scope of measure (a pilot project or a economy-wide reform)</b>	Economy-wide
<b>Short summary of key challenges addressed by the practice and outcomes/lessons learnt</b>	The impact evaluation is a part of a general agenda of evidence-based policy making that focuses on redesigning the existing policies in order to achieve the best possible outcomes. The assessment results for each particular intervention have to be used to inform policy makers whether the programme has achieved the objectives and to provide information regarding the potential continuation, re-design or termination of the programme.
<b>When was the practice implemented? (including start and end date for pilot projects)</b>	August-December 2021.
<b>What was the driver for introducing the practice? Was it internal or external?</b>	The worldwide experience shows that the effectiveness of ALMPs is considerably improved if impact evaluations are rigorous and the feedback results are channeled into program design.
<b>Which organisation was involved in its implementation?</b>	This evaluation was supported by the RCC Employment and Social Affair Platform 2 (ESAP 2) project.
<b>Which groups were targeted by the practice?</b>	The sample for analysis consisted of treatment and control groups. The treatment group comprised persons who participated in one of the following five ALMPs: (1) Training for drivers, (2) Training for known employer, (3) Training for advanced IT-skills, (4) Training for in-demand occupation, and (5) Wage subsidy programme. On the other hand, the control group comprised persons who applied but have not been selected (have not participated).
<b>What were the practice's main objectives?</b>	<ul style="list-style-type: none"> <li>✓ Review and analyse effectiveness and efficiency of ALMP measures implemented in the period 2018- 2019 in North Macedonia.</li> <li>✓ Analyse whether participation in the ALMPs increased the probability of participants to find and retain gainful employment.</li> <li>✓ Analyse whether the design and coverage of the ALMPs and implementation of these measures have been responsive to the challenges faced on the labour market of North Macedonia.</li> <li>✓ Review and analyse which measures are more effective in achieving the objectives of reducing unemployment and improving employability and whether the selected ALPMs are cost-effective.</li> </ul> <p>Analyse what happens with the beneficiaries after participating in the ALPMs.</p>



<b>Name of the PES</b>	Employment Service Agency of North Macedonia
<b>What activities were carried out?</b>	<ul style="list-style-type: none"> <li>✓ Specification of the scope of assessment (Training for drivers, Training for known employer, Training for advanced IT skills, Training for in-demand occupations, Wage subsidy program)</li> <li>✓ Definition of the outcome measures</li> <li>✓ Definition of the explanatory and self-assessment variables</li> <li>✓ Specification of data and sample (provided from two sources: the registry of the ESA of ALMM participants and applicants)</li> <li>✓ Carrying-out the survey</li> <li>✓ Data processing (summarising the descriptive statistics, application of the Propensity score matching technique, disaggregation of the treatment effect for different population segments, evaluation of the matching quality)</li> <li>✓ Writing report including policy recommendations</li> </ul>
<b>What were the source(s) of funding?</b>	✓ RCC ESAP 2
<b>What are the lessons learnt and success factors?</b>	<p>The reforms of ALMPs in North Macedonia have to take into account the specific socio-economic context due to the COVID-19 pandemic, as well as the ESA capacities. This study demonstrated that ALMPs do not work equally well for different individuals and further improvements of their targeting is required. Since one of the main objectives of ALMP measures is to assist the unemployed to get back to work, they require a reasonably buoyant supply of job vacancies in order to be effective. If the economy of North Macedonia is generating few vacancies as a consequence of the COVID-19 crisis, one should not be surprised if active measures show to be relatively ineffective.</p>
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## Annex II: Good practice: Implementation of the Youth Guarantee in North Macedonia (pilot basis)

<b>Name of the PES</b>	Employment Service Agency of North Macedonia
<b>Field</b>	<b>SUSTAINABLE ACTIVATION AND MANAGEMENT OF TRANSITIONS</b> <b>Early intervention to avoid unemployment and implementation of Youth Guarantee</b>
<b>Title of the policy or measure</b>	Implementation of Youth Guarantee (pilot basis)
<b>Summary of the practice</b>	Youth Guarantee is a guarantee that ensures that every young person who is not in employment, education or training (NEET) is offered a job, further education or work-focused training at the latest four months after leaving education or after becoming unemployed, after their registration as unemployed in the ESA registry.
<b>Economy</b>	North Macedonia
<b>Scope of measure (a pilot project or a national reform)</b>	In a pilot project started 2018, the Youth Guarantee was implemented at local level in three Employment Centres The rolling out at economy-level started in 2019 and was concluded in 2021.
<b>Short summary of key challenges addressed by the practice and outcomes/lessons learnt</b>	The implementation of the Youth Guarantee in North Macedonia is coordinated by a coordinating body composed of representatives from all relevant institutions. The goal of the coordination body is providing better coordination and controlling of planned activities. The implementation of the Youth Guarantee is considered as successful if at least 30% of included youth NEET after four months ended up as employed or acquired the necessary skills for employment, a value which has continuously met.
<b>When was the practice implemented? (including start and end date for pilot projects)</b>	The Youth Guarantee in North Macedonia has been implemented for the first time in 2018 as a pilot project in three municipalities: Gostivar, Strumica and Skopje. By taking into account the positive experiences, the project has continued up to the present.
<b>What was the driver for introducing the practice? Was it internal or external?</b>	The main driver for introducing Youth Guarantee in North Macedonia was the high youth unemployment rate and the intention to retain youth population in the economy.
<b>Which organisation was involved in its implementation?</b>	Employment Service Agency Ministry of Labour and Social Policy Ministry of Education
<b>Which groups were targeted by the practice?</b>	Young people not in employment, education or training (NEET)
<b>What were the practice's main objectives?</b>	The main objectives of Youth Guarantee is to ensure that all young people receive a good quality offer of employment, education or training.

<b>Name of the PES</b>	Employment Service Agency of North Macedonia
<b>What activities were carried out?</b>	The Youth Guarantee encompasses measures for activation of young people who are registered for the first time as unemployed persons - active job seekers. After being registered in the register of unemployed persons, youth NEET are immediately referred to their first interview with employees of the ESA, who profile their employability, using a control questionnaire and prepare Individual employment plans. These plans define the activities that enable the young unemployed person, in a period of four months, to be re-involved in the educational process (not in regular education) or to be involved in any of the active employment measures or services, which will enable to increase the individual employment opportunities or to be offered suitable employment that suits the education and skills. Activities include group and individual counselling; providing job search assistance services; motivational training; involvement in any of the ALMP measures (employment, education and training measures).
<b>What were the source(s) of funding?</b>	The government budget of North Macedonia
<b>What are the lessons learnt and success factors?</b>	The main success factors for the implementation of the Youth Guarantee in North Macedonia are the following: first, the partnership with an umbrella NGO that covers a number of well-trained experts for the field work and second, the active role of the ESA in preparing the Individual Employment Plans and offering good quality ALMPs.
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