

PERFORMANCE OF WESTERN BALKAN ECONOMIES REGARDING THE EUROPEAN PILLAR OF SOCIAL RIGHTS

2021 review on North Macedonia



EUROPEAN PILLAR OF SOCIAL RIGHTS



EUROPEAN CENTRE FOR SOCIAL WELFARE POLICY AND RESEARCH

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Contact:

Employment and Social Affairs Platform 2 (ESAP 2) Project
esap@rcc.int

Rahel Kahlert, Ph.D.
European Centre for Social Welfare Policy and Research
kahlert@euro.centre.org

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Abbreviations

| | |
|--------------|--|
| ALMP | - Active labour market policies |
| AROP | - At-risk of poverty |
| AROPE | - At-risk of poverty or social exclusion |
| CCT | - Conditional cash transfers |
| DALY | - Disability-adjusted life years |
| ERP | - Economic Reform Programme |
| ESA | - Employment Service Agency |
| GCA | - General Collective Agreement |
| GMI | - Guaranteed Minimum Income |
| ILO | - International Labour Organisation |
| IPH | - Institute for Public Health |
| LFS | - Labour Force Survey |
| LTU | - Long-term unemployed |
| LWI | - Low work intensity |
| MLSP | - Ministry of Labour and Social Policy |
| MKD | - Denar, currency in North Macedonia |
| MOSHA | - Occupational Safety and Health Organisation in North Macedonia |
| MICS | - Multi-Indicator Cluster Survey |
| NEET | - Not in education, employment or training |
| NCD | - Non-communicable disease |
| OSH | - Occupational Safety and Health at Work |
| PDIF | - Pension and Disability Insurance Fund |
| PPS | - Purchasing Power Standard |
| PPP | - Purchasing Power Parity |
| SFA | - Social financial assistance |
| SLI | - State Labour Inspectorate |
| SMD | - Severe material deprivation |
| SSO | - State Statistical Office |
| SWC | - Social Work Centre |
| SWTS | - School-to-work transition curve |

Executive summary

As elsewhere, the COVID-19 pandemic created large and unprecedented challenges for the government of North Macedonia in an array of policies and sectors. While it started as a health crisis which required policies and measures to protect the health of the citizens, it soon expanded in an economic crisis, affecting virtually all businesses and workers. The Government of North Macedonia implemented four packages of containment measures against COVID-19 pandemic in 2020 (70 measures in total) and two additional packages in 2021 (with additional 36 measures). The total announced worth of the four packages from 2020 was EUR 1 billion or 9.2% of GDP. By March 2021, 67.3% of the planned financial cost for the packages was realized, though the government expects that the realization will reach 92%.¹ This increased the budget deficit from the planned 2.3% to 8.5% of GDP in 2020. The cost of the 2021 anti-crises packages is EUR 178 million.

The containment measures provided relatively comprehensive support (containment measures) to businesses, workers and the most vulnerable citizens during the COVID-19 pandemic. The unemployment system, social assistance system and the general support measures were adjusted relatively quickly to absorb those who lost their job or suffered a large decline in their income (even informal workers who lost their job). Though the projected effect of these measures on the vulnerable citizens and unemployed were much larger than the actual effect, as was the case with the total cost of the packages. Healthcare expenditures in 2020 increased by 47% relative to the initial budget expenditures and the healthcare system was adjusted to a certain extent to accommodate the COVID-19 patients.

The government decision to close schools (except grades 1-3) and to allow the parents to stay and work from home during certain periods put considerable pressure on working mothers who had to balance working from home with the additional part-time role of educator for their younger children. Available studies show evidence that during the pandemic there has been a large increase in the amount of time women spend on unpaid domestic and care work. This implies an increase in the already existing gender inequalities in terms of the time spent by spouses or partners on unpaid domestic work (UN Women, 2020).

There is evidence of progress across all the areas of the European Pillar of Social Rights, although North Macedonia is still lagging behind its EU peers in most areas. Poverty remains a persistent problem in North Macedonia. High unemployment, inadequate social protection, as well as the low quality of social services are some of the main factors behind the high poverty levels. The economy needs to make further progress in addressing inequality and inequality of opportunities as regards gender, Roma, people with disabilities, etc. A relatively good legislative and institutional framework is in place, however implementation is lagging behind. The government introduced substantial changes to the social protection system in 2019, with the aim of reducing poverty and inequality, and increasing inclusion of vulnerable citizens into society and the labour market. While some progress has been achieved, it is still too early to assess the effectiveness of the reform.

¹ <https://vlada.mk/node/24854>.

Despite the progress in terms of equal opportunities and access to the labour market, there is still a considerable gap with EU Member States, and much more needs to be done to improve the situation of disadvantaged citizens and Roma. North Macedonia is still far from the 78% of employment rate, which is the target of the European Pillar of Social Rights Action Plan (2021) to be reached in 2030. There has been a continuous improvement in most educational indicators in North Macedonia, and the economy is closing the gap to the EU-27. Still in 2020, very few adults in the economy were involved in lifelong learning (2.6% of the population aged 25-64) and 23.6% of young people were neither in employment nor in education and training (NEET) in 2020. However, the quality of education is of special concern. Roma and citizens from disadvantaged backgrounds have difficulties in accessing education and underperform in education, though there has been some advancement in 2020. Gender gaps in the labour market are high, with the activity rate gap in 2020 being 19 p.p. and the employment rate gap being 18.6 p.p. However, there are some converging trends. As of March 2020, the legislation and institutional framework on gender equality (and inequality, in general) is in place. The new Law on Prevention and Protection against Discrimination was enacted in October 2020 after some procedural issues. Few unemployed receive active support to employment and the financing of activation measures is relatively low, at about 0.27% of GDP, however it grew substantially in 2020 due to COVID-19. North Macedonia is the first economy in the region to establish a Youth Guarantee programme.

In the area of fair working conditions, further advances are needed regarding the reduction of informality, promotion of health and safety at work and creating conditions for better balance between work and family. Labour legislation in North Macedonia provides a fair and equal treatment of workers with temporary contracts. The employment of workers in North Macedonia could be considered secure (in terms of its duration) and the transitions from temporary to permanent employment are faster than in the EU, but the labour market dynamics is low resulting in high long-term unemployment. Labour Law provides relatively good protection of workers in case of dismissals; however, implementation of the legislation is in many cases lagging behind. Informality is high (13,6% of total employment in 2020), although there is a continuous declining trend. Preparations of the new Labour Law are still ongoing, from March 2020. The Ministry of Labour and Social Policy (MLSP) is supported by the International Labour Organization (ILO). Among others the Law will regulate the atypical forms of work and employment. Collective bargaining is still weak and practically subordinated to the labour legislation, with some negative trends in 2020 and 2021. The government implemented several policies to increase the MW which were partly effective (the MW increased but not to the targeted level), and probably supported the economy, but there are no available data yet to assess the effect on poverty. Women in North Macedonia face difficulties in balancing work and life/family which is related to the traditional division of labour within households, non-availability of formal child and elderly care institutions, low access to part-time and flexible employment, etc. Women's rights in the labour market are generally protected with regard to maternity leave, however the legislation regarding paternity leave is not well developed. There is a room for improvement in the area of health and safety at work, in terms of legislative framework, implementation, institutional capacity, etc. North Macedonia does not have an established system of reporting related to injuries and accidents at work.

While some progress has been made since mid-2019, still there is much room for strengthening the social protection and inclusion especially with regards to poverty reduction, access and enrolment in pre-school education, public health provision and the availability and quality of social care. COVID-19 has slowed down some of the planned reforms in this area. The poverty rate

in the economy is relatively high, and there is a need to increase the coverage and effectiveness of the social assistance system. Pensions in North Macedonia have an important role in reducing poverty, which was not the case with social transfers. Poverty data are not yet available for 2020 to assess if the reformed social system provides more effective protection against poverty and social exclusion. The pension deficit is continuously increasing and as a result the government slightly increased the contribution rate (from 18% in 2018 to 18.4% in 2019 and 18.8% in 2020), though this is undermined by the ad hoc increase of pensions in 2020. A large reform of the social assistance system commenced in mid-2019, with the introduction of a Guaranteed Minimum Income (GMI) with an aim to reduce the poverty. Few children in North Macedonia attend preschool education. The government has plans to expand the provision of preschool and some progress was achieved in 2020 in this area. Changes were made to the existing child allowance and the new, educational allowance for children from poor families was introduced. Public spending on health is low, though it has increased due to the COVID-19 containment measures by 47% compared to the initially budgeted health expenditures for 2020. Air pollution is a very important issue, with large current and future costs in terms of lost productivity and government spending. The government started the process of deinstitutionalisation and introduction of pluralism in the provision of care for people with disabilities, in favour of community-based social care. There is some progress in this area, although the pandemic and the related health protection measures negatively affected the process.

The main challenges for the economy are poverty reduction and social inclusion of vulnerable groups (mainly people with disabilities and Roma). Specifically, the economy needs to strengthen its social protection role and to ensure equal access and opportunities for all citizens. The focus should be on outputs and outcomes of the actions and policies, rather than the inputs. The planned reforms and processes that started and intensified from 2019 onwards are a step in the right direction, but experience shows that the implementation is often constrained by limited human resources (and capacity of institutions) and limited budget resources. Appropriate monitoring and evaluation mechanisms should also be put in place so as to improve the effectiveness and efficiency of policies and programmes.

1 Introduction

Some of the planned or already started progress in North Macedonia was halted by the health and economic crises caused by the COVID-19 pandemic. Challenges with regards to social policies and social rights continue to persist. Indeed, a recent assessment of the progress made by North Macedonia notes that the economy remained only moderately prepared in the area of social and employment policy (European Commission, 2020). According to the report, although some progress was made when compared to 2019, the main challenges remained:

- North Macedonia should continue to implement activation measures for long-term and low-skilled unemployed people, including women, persons with disabilities and Roma;
- Improve capacities of the State Labour Inspectorate (SLI) and reinforce the bipartite social dialogue between employers and workers;
- Continue provision of assistance to all vulnerable groups.

This assessment is largely confirmed by this report, which provides an assessment of the performance of North Macedonia regarding the European Pillar of Social Rights.

Health expenditures declined in recent years but increased in 2020 as a result of the increased spending related to the COVID-19 epidemic. The healthcare system was adjusted to a certain extent to accommodate the COVID-19 patients. This required a large increase of the initially planned budget expenditures for health by 47%, to a level of EUR 920 million. As elsewhere, the health crisis along with the measures to protect the health of people led to a decline in economic activity in North Macedonia. By late March 2020, the initial response by the Government (and society) was already focused on protecting health and preventing the spread of the virus. This required some rigid measures such as closing land borders, closure of airports, restrictions on public events, closure of schools and imposing of curfews. In May 2020, recovery and preserving economic activity was emphasised by softening the restrictive measures. The issues of under-financing and neglecting prevention services (primary health care) still remain, though the focus has temporarily shifted to ensuring protection and recovery of COVID-19 patients.

The Government of North Macedonia provided relatively comprehensive support (containment measures) to businesses, workers and the most vulnerable citizens during the COVID-19 pandemic. The unemployment system, social assistance system and the general support measures were adjusted relatively quickly to absorb those who lost their job or suffered a large decline in their income (even informal workers who lost their job) due to the COVID-19 pandemic. The number of recipients of unemployment benefit increased as did the number of social assistance recipients, though the actual effect of these measures was much lower than the intended and projected one. The total cost of the containment packages in 2020 was EUR 1 billion or 9.2% of the GDP. By March 2021, 67.3% of the planned financial cost for the packages was realized, though the government

expects that the realization will reach 92%.² This increased the budget deficit from the planned 2.3% to 8.5% of GDP. Two additional anti-crises packages were adopted in 2021 containing 36 measures worth EUR 178 million.

Poverty remains a persistent problem in North Macedonia, with a high poverty rate of 21.6% in 2019. The efforts of the government to promote poverty reduction and social inclusion have so far been largely ineffective. In particular, social transfers, apart from pensions, are not providing substantial protection against poverty. Spending on social protection, employment support to unemployed, on education and health are relatively low compared to the EU-27. Poverty data for 2020 are not yet available as to be able to assess the effect of the large reform of the social assistance (the introduction of guaranteed minimum income) that started in mid-2019.

The educational attainment of the population has significantly improved since mid-2000s, however there are issues with the quality and access to education. Roma and citizens from disadvantaged background have difficulties in accessing education and underperform in education, although there is moderate progress. The COVID-19 pandemic has somewhat deteriorated the educational outcomes of the vulnerable youth, such as the Roma population. The labour market performance is weak, resulting in high unemployment and high informality. Gender gaps in the labour market, i.e. activity and employment, are relatively high.

The government undertakes several policies and measures to improve the position of Roma, in all areas, such as housing, early childhood education, labour market, etc. Still, the programmes are generally of small scale and with limited effects. Regarding people with disabilities, as of 2020 a large reform is underway aiming at personalisation of support and care, flexible services that adapt to the needs of the beneficiaries, as well as deinstitutionalisation and introduction of pluralism in the provision of care for people with disabilities, in favour of community-based social care. Some progress has been achieved in this area in 2020, but the progress was constrained by the pandemic. In addition, in 2019 the Government adopted a new Law on Primary Education which introduced a new system and processes for inclusion of children with disabilities in mainstream public schools, such as establishment of inclusion teams at school level, individual educational plans/curricula for children with disabilities, etc. (Official Gazette No. 161/2019).

There are no large-scale social monitoring initiatives coming from academia, social partners, civil society organisations or elsewhere. The main pressure towards raising awareness on these issues comes from the EU and donors, such as the ILO, UN Women (and in general UNDP), World Bank, etc. The recent focus in the public debate is mainly on issues of poverty, inequality and the need for promoting human capital.

While Eurostat serves the role of data provider for the Social Scoreboard, the corresponding data for North Macedonia are relatively readily available from Eurostat. It is mainly spending data and health data which are not available from Eurostat. In the report, some approximations for the data are used, but effort has been made to ensure that those data are at least comparable within the Western Balkans region. Additional data sources include World Bank, ILO, and WHO databases.

² Some measures from the third and fourth package will be implemented throughout 2021. There was also a delay in implementing these two packages as for some of the measures (such as reduction of VAT for restaurants), legislative changes were needed while the Parliament was non-functioning (<https://vlada.mk/node/24854>).

2 North Macedonia's performance in the 20 principles of the European Pillar of Social Rights

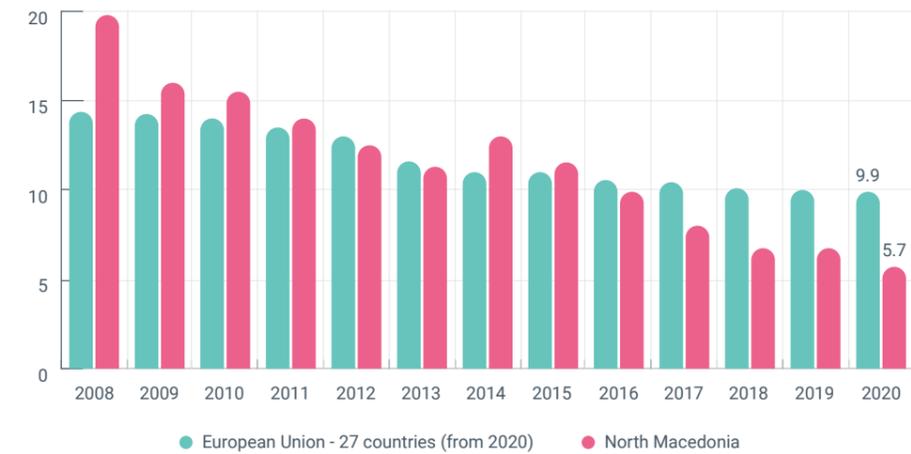
2.1 Chapter I: Equal opportunities and access to the labour market

2.1.1 Education, training and life-long learning

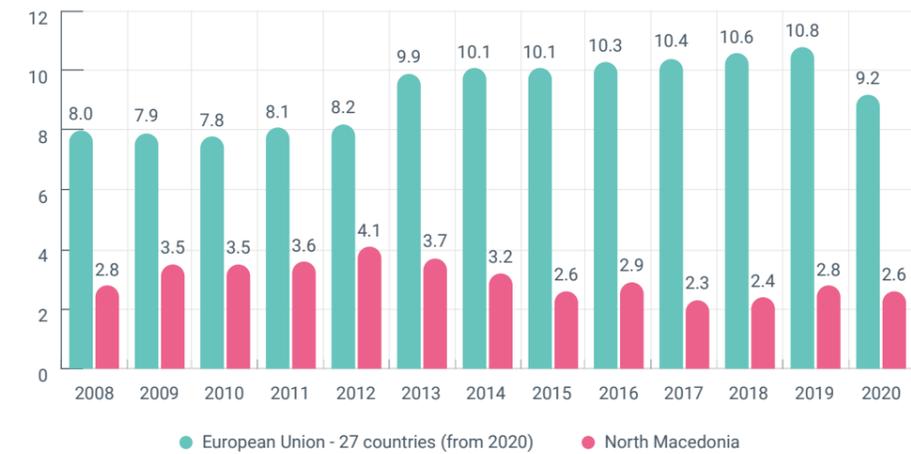
Educational indicators in North Macedonia show improvement, although with a large gap in terms of lifelong learning. Figure 1 shows the Scoreboard indicators which are used to assess the educational and training outcomes. Data in panel (a) show that North Macedonia has achieved large progress in reducing the share of early school leavers since 2006. In 2020, only 5.7% of young individuals aged 18-24 have not acquired at least upper secondary education which is lower than the EU-27 average. In 2006, there was a large gender gap: the share of early school leavers among females was 6 percentage points (p.p.) higher than for males. The gender gap decreased to 0.1 p.p. in 2020. On the other hand, very few adults in North Macedonia participate in lifelong learning, only 2.6% of the population aged 25-64 were engaged in some form of learning in 2020 which is significantly below the EU average. This time the gender gap is 0.2 p.p in females favour.

Figure 1. Headline educational indicators

a) Early school leavers (age group 18-24, in %)



b) Adult participation in learning, % of population 25-64



Source: Eurostat database

Youth in North Macedonia are acquiring relatively little knowledge in schools. Despite the progress in terms of quantity of education, the economy fares quite poorly in the quality of education and outcomes as assessed by the performance of young individuals on international tests. For instance, the 2018 PISA showed that 61% of 15-years olds in the economy had a performance of below level 2 in math compared to the OECD average of 24%.³ The mean score of young people in the economy was 394 (median of 394), well below the OECD average of 489 (median of 492). Results by quintiles show that on both ends of the distribution, pupils from North Macedonia underperform, though the relative results are actually much worse in the lower end of the distribution, i.e. below the median. Similar conclusions can be drawn by assessing the achievements in science: the average score in North Macedonia was 413 (49% of youth performing below level 2), below the OECD average of 489

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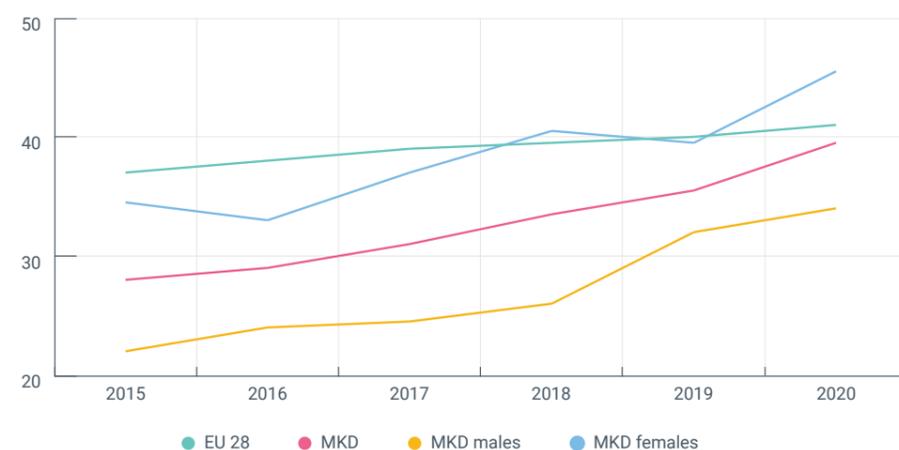
³ These data can be found at: <https://ec.europa.eu/eurostat/web/european-pillar-of-social-rights/indicators/main-tables>. They are part of the European pillar of social rights' data provided by sources other than the Eurostat.

(where 22% had a score below level 2). Besides the quality of education, another major challenge for the economy is to better align the education and labour market needs; this is true for both the secondary vocational education (VET) and tertiary education (European Commission, 2019; Ministry of Finance of Republic of North Macedonia, 2018).

In 2020, 19.6% of young people in North Macedonia are neither in employment nor in education or training (NEETs). This share is much higher than that of the EU-27 average of 11.1%. A 2012 EUROFOUND study estimated that in 2011, the annual loss of the Member States due to labour market disengagement among young people (i.e. the NEETs) was 1.2% of GDP. The economy made large progress in reducing the NEETs rate between 2006 and 2010 (from 41.3% to 25.5%, respectively) with slower progress afterwards. The share of NEETs is very similar for both genders, although the composition of the NEETs is very different (see below). The School-to-work transition survey (SWTS) of the ILO found that about one third (32%) of young people in the economy in 2014 were NEETs (Mojsoska-Blazevski, 2016). Most of the NEETs are unemployed youth, whilst one-third are inactive young persons who are quite distanced from the labour market (and education). While 80.7% of male NEETs fall into the category due to unemployment, only 46% of female NEETs are unemployed. Female NEETs are more likely to fall into the subcategory of inactive non-students.

Data in Figure 2 show that North Macedonia has achieved progress in increasing the share of young people aged 30-34 with completed tertiary education in 2020. Females are at an advantage in terms of this indicator: 45% of females aged 30-34 completed tertiary education, while this was the case for merely 34% of males, in 2020.

Figure 2. Tertiary education attainment of population aged 30-34 (in %)



Source: Eurostat database: European pillar of social rights

2.1.2 Gender equality

There are large and persistent gaps in labour market participation between men and women. While no gender difference can be observed when it comes to unemployment incidence, females in North Macedonia are much less likely than males to be employed and active in the labour market. In particular, the gender employment gap for the population 20-64 in 2018 was 21.4 p.p. almost double the EU-average (11.6 p.p.). The gender employment gap is closely related to educational attainment. At the low education levels (primary education and less) males have a 2.6 times higher employment

rate than females in 2020 (45.4% vs. 17.2%, respectively).⁴ The gap narrows to 5.2 p.p. (81% vs. 75.7%, respectively) at tertiary education (note that females are more likely to complete tertiary education). The gender gaps in employment in the economy are driven mainly by gaps in labour force participation and the very low labour force participation of women (Mojsoska-Blazevski, 2018). LFS data show that employed women are, on average, better educated than employed men. Although this can be regarded as a positive trend, it may also signal some barriers to employment for women with lower levels of education (Mojsoska-Blazevski, 2018). For example, women are much more likely to work as unpaid family workers—6.7% of women compared to 2.6% of men—and are much less likely to be self-employed. Moreover, unpaid family workers make up roughly one quarter of employed poor women.

Roughly thirty-five percent of the population aged 15-64 in North Macedonia is inactive with inactivity much higher among females.⁵ In particular, 47.2% of working-age women are not participating in the labour market, so that the gender activity gap is as high as 24 p.p. While males in the economy have similar activity rates as their EU peers on average, females fare very poorly in comparison to their counterparts in the EU Member States. Completed education is a key explanatory factor here. More specifically, the high inactivity among low educated women is the major reason behind the low overall activity in the economy and the very low activity of females. Only 21.1% of females with completed primary education or less participated in the labour market in 2020 (down from 25.3% in 2019). At the level of tertiary education, the activity rates of both genders in North Macedonia are higher than the EU average. The gender gap at tertiary level slightly increased from 2.9 p.p. in 2019 to only 3.2 p.p. in 2020. The gender participation gap among young persons is relatively low but becomes more pronounced for older workers.

Most of the inactive persons of both genders report that they do not want to work, but the inactivity of females is mainly related to family responsibilities. LFS data from 2020 show that 15.6% of inactive women in North Macedonia reported that they would like to work but are not seeking employment, which was the case for 28.5% of men in the economy and for 18.7% of women in the EU-27.

The most important reason for women's inactivity is caring for the home and caring for other members of the household. 23.2% of inactive women in 2020 stated that they are not active in the labour market precisely because of care of adults with disabilities or children and other family or personal reasons (only 0.4% of inactive men stated the same). In other words, the traditional role of women in North Macedonia in terms of home care, taking care of minors and adults who cannot take care of themselves, is a major obstacle to greater participation of women in the labour market. For women in the EU the major reason for inactivity is education and training (8.5%), followed by care of adults with disabilities or children and other family or personal reasons (7.1%). For men in North Macedonia, the main reason for inactivity is the participation in educational and training, stated by 10.2% of inactive men.

The traditional division of labour and of roles within households are important reasons for women's low labour market activity. Studies show that the traditional division of household labour in which the burden of care for the household and its dependents automatically falls on women is an important impediment to women's higher labour market activity (Mojsoska-Blazevski, 2018). The

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⁴ https://ec.europa.eu/eurostat/databrowser/view/LFSQ_ERGAED__custom_1080153/default/table?lang=en.

⁵ LFS data from Eurostat, available at: <https://ec.europa.eu/eurostat/data/database>

competing demand for women's time is further exacerbated by an insufficient supply of childcare and elderly care services (as explained later in the report). Mojsoska-Blazevski et al. (2017) found that the main reasons for women's inactivity are household duties and the stereotypes about gender roles in the family and society.

The economy is doing comparatively well regarding the gender pay gap. Petreski and Mojsoska-Blazevski (2019) find that the gender pay gap is highest in the textile industry which is the sector where women are over-represented relative to men. Gender wage gap in North Macedonia can be attributed to: i) self-selection of females into inactivity; ii) discrimination (different returns for the same characteristics); and iii) the effects of men's and women's unobservable characteristics that are rewarded by employers (Mojsoska-Blazevski, 2018). On the other hand, worker and job characteristics do not appear to play an important role in explaining the gender wage gap.

There is no difference in the part-time employment between women and men, but generally few employed persons work part-time. The part-time employment gap in North Macedonia is only 0.9 p.p. relative to the average EU gap of 20.3 p.p. in 2020. However, this is explained by a low part-time work incidence among both genders. Few women in North Macedonia work part-time with the main reason reported for part-time work being the lack of full-time jobs, followed by "other family or personal responsibilities" and "looking after children and incapacitated adults."

The legislation and institutional framework on gender equality (and discrimination and inequality, in general) is in place, with some new developments in 2020. The economy has started to establish an institutional framework for ensuring gender equality only in recent years. The EC (2020) states that the existing laws on gender equality are largely in line with the EU acquis, but the main challenge is implementation. North Macedonia published its first Gender Equality Index in October 2019, which indicated improvements regarding equality in decision making. Yet the gender gap remains significant and there are still large gender differences in participation and quality of work. Gender perspective was integrated into the strategic documents of the Ministry of Defense and the Army.

The Law on Equal Opportunities for Women and Men (Official Gazette No. 6/2012 and 166/2014) aims at ensuring equal opportunities and equal treatment of both genders. The Law on Prevention of and Protection against Discrimination, which covers discrimination based on sex (Official Gazette No. 50/2010, and most recent changes in No. 21/2018) laid the ground for the establishment of an independent non-professional Antidiscrimination Commission. The competences of the Commission partly overlap with those of the Ombudsman, as well as those of the Advocate/Attorney for Equal Opportunities. There is a gender equality unit in the MLSP but it is understaffed. We can conclude that the legislation and the institutions responsible for gender equality (and, in general, equality) are relatively new and are still in the process of development and improvement. The statutory rights of women in the labour market are guaranteed and generally protected, although there are still areas where improvements are needed, for instance, in the area of paternity leave and equal pay. There is no existing data on incidents of sexual harassment in the workplace or a system to investigate such incidents.

In May 2019, a new Law on Prevention of and Protection against Discrimination was enacted by the Parliament, after a long and complicated procedure. The Law, for the first time, included references to gender identity and sexual orientation, and also included new terminology and bases of discrimination (for instance, segregation as a form of discrimination). However, a year later on May

14, 2020 the Constitutional Court made a decision to repeal the Law on Prevention and Protection against Discrimination on procedural grounds. The Law was again enacted in October 2020.

The new labour law that is underway is expected to support better work-life balance. The new law shall introduce paternity leave, the possibility to use parental leave for fathers, paid leave from work to provide care and the right to work with flexible arrangements due to childcare and nursing.

The government intensified its efforts for protecting victims of domestic violence. In addition to the 4 regional centres for victims of domestic violence, three new crisis centres were opened for rape victims, as well as a new shelter for victims of sexual harassment and violence during 2017 and 2018. The MLSP continued to invest in community services to support victims of gender-based violence, including by establishing a team of experts available 24 hours a day to act in cases of domestic violence and gender based violence. However, further efforts are needed to assist women victims of domestic and gender-based violence (European Commission, 2020). However, the COVID-19 has negatively impacted the victims of domestic violence. The number of cases of domestic violence increased, but also the victims could not report the violence in times of curfews and lockdowns, given the physical presence of the offender at home.⁶

A new Strategy for Gender Equality 2021-2026 is underway, along with a National Plan for Gender Equality 2021-2023. The Strategy is prepared based on the evaluation of the implementation of the Strategy for Gender Equality for the period 2013-2020. In January 2021, the Assembly adopted the Law on Prevention and Protection from Violence against Women and Domestic Violence⁷ in accordance with the Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention).

Government measures for protecting health of the population during COVID-19 (i.e. the state of emergency) significantly affected women and women workers. In particular, the Government adopted a decision that allowed parents of children below the age of ten to stay at home to care for them (one of the working parents) and allowed for extended paid leave for pregnancy, childbirth and parenting. In this regard, the Government instructed employers in the public sector and recommended to private sector employers (for employees who have a minor child up to ten years of age for whom home care is necessary) that one parent be released from work and that their absence during that period should be recorded as a justified absence by the employer. The pregnant women and the chronically ill should be released temporarily from work and work activities (that is, not to go to work and remain at home).⁸ This put considerable pressure on working mothers who had to balance working from home with the additional part-time role of educator for their younger children. Indeed, the UN Women study (UN Women, 2020) found that during the pandemic there has been a large increase in the amount of time women spend on unpaid domestic and care work. This implies an increase in the already existing gender inequalities in terms of the time spent by spouses or partners on unpaid domestic work (UN Women, 2020).

The closure of schools had the largest effect on the lifestyle of citizens, especially women. School closure changed the daily dynamics of 20% of the respondents in the UN Women study (UN Women, 2020) with more time devoted to supporting children in education. The respondents (18%) also

6 Regional report for victims of domestic violence can be found here: <http://www.glasprotivnasilstvo.org.mk/wp-content/uploads/2020/09/Spravuvane-so-nasilstvo-vrz-zheni-i-semejno-nasilstvo-za-vreme-na-KOVID-19.pdf>.

7 Official Gazette No. 24/2021.

8 There was no data on how many workers and companies used this possibility.

reported increased stress and anxiety (21% of women and 15% of men); the study was implemented in the first months of the pandemic.

2.1.3 Equal opportunities

Poverty and exclusion remain high among Roma and people with disabilities and the implementation of Roma inclusion policies is slow. Roma face challenges in many different areas of life: among others, many of them are without proper documentation (i.e. no IDs); there are many Roma children living on the streets; they face high unemployment; large number of Roma families live in poverty; many Roma are homeless; there is widespread stereotyping and discrimination against Roma. A recent study of the Roma in North Macedonia (Mojsoska-Blazevski et al., 2018) shows that there are very large discrepancies between Roma and Non-Roma living in settlements close to Roma. For instance, while the NEETs rate of non-Roma in 2017 was 32.8%, as many as 73.6% of young Roma were NEETs (although the gap declined by 9 p.p. compared to 2011). Regarding the labour market indicators, the study shows that the relative position of Roma is extremely weak and worsened between 2011 and 2017. The Roma employment rate stagnated between 2011 and 2017 despite the improving labour market. The Roma unemployment rate is more than twice as high as that of Non-Roma (49% and 19% respectively). Roma females are in an especially difficult position. Their employment rate is only 13% with an unemployment rate of 58%. These large differences in educational and labour market outcomes for Roma and Non-Roma stem from their limited access to education and other services and are linked to widespread discrimination.

The government undertakes several policies and measures to improve the position of Roma, but the programmes are generally of small scale and with limited effects. The revised ESRP 2022⁹ sets a total of 10 indicators to measure the promotion of social inclusion of Roma, divided into three parts: labour market, education and health care.

Currently, several support schemes/policies are in place for Roma. In the labour market, they can participate in the general active measures, in addition to specific measures which specifically target Roma. For instance, there is a Roma mentoring programme which aims to provide better information to unemployed Roma about employment and training possibilities provided by the Employment Service Agency (ESA). The goal is to include unemployed Roma in some form of active programmes and/or subsidised employment. Mentors are working directly with Roma in their communities. The plan for 2020 was to include 500 Roma in this programme (i.e. that mentors reach 500 Roma). This target was partially met, although there is a noticeable progress compared to 2019. According to the ESRP 2022 annual report, 431 Roma participated in some form of ALMPs in 2020 (from 251 in 2019). Additional 6,539 Roma received some type of labour market service (9,736 in 2019) (MLSP, 2021).

With the support of the Roma Education Fund (Budapest), a project is implemented in 19 municipalities aimed at increasing the enrolment of Roma children aged 3-6 years old in preschool education. This programme is also implemented through 21 mediators, who work in the field, in municipalities. In 2019, the new Law on Primary Education (Official Gazette No. 161/2019) introduced educational mediators in primary education. According to this Law, Educational mediators may be recruited for Roma students whose origin is from a socially deprived family and/or have been outside the educational system for a longer period of time. Schools can report a need for hiring an education mediator to the MoES. Educational mediators are recruited by means of a public call which is

⁹ A revision was undertaken of the ESRP 2020 two years after its active implementation. The revision extended the ESRP timeframe until 2022.

published by the Ministry. In 2020/21, 35 mediators were engaged through this project, however the data show that there is no progress, partly due to the pandemic and online schooling in this period (see below). One of the major problems for Roma is access to housing. In 2019, the government built 15 apartments within the existing shelter in Vizbegovo (near Skopje) and accommodated about 100 Roma (of which 66 are children).¹⁰ Prior to this, they were homeless, living in an improvised settlement without access to essential services. The government announced further infrastructure projects in the municipalities with dominant Roma populations (such as Bitola, Delcevo, Kumanovo, etc.). Moreover, a sustainable improvement in their living standard has to be achieved by better access to social services and to employment opportunities. Roma also have access to social housing (see point 2.3.9 of this report).

There is some progress in several vital statistics on Roma integration. Progress has been made in some labour market and educational indicators for Roma, set in the revised ESRP 2022. For instance, the percentage of Roma students successfully completing primary education increased from 77% in 2018 to 80% in 2019 (latest available data). The rate of Roma students transitioning from secondary to higher education) increased from 38% in 2018 to 40.5% in 2019. In 2020, the number of scholarships awarded in secondary education to Roma high school students increased from 800 to 900. At the same time, the number of Roma students in special secondary schools decreased (MLSP, 2021). However, in 2020, there is a decline in the inclusion of Roma children (0-6) in preschool education: 347 children (compared to 729 in 2019), which is a result of the reduced capacity of kindergartens as a result of the pandemic Operating Protocol in Kindergarten.

In the academic year 2019/2020 and 2020/2021, educational and personal assistants for students with disabilities are engaged, included in the regular schools in cooperation with UNDP. For the academic year 2021/2022, 500 educational assistants for students with disabilities are engaged, funded by the budget of the MoES. The process of transforming the special primary schools into primary schools with a resource centre has started.

2.1.4 Active support to employment

North Macedonia spends little on active labour market measures (ALMPs), involving few unemployed people. Figure 3 shows that in 2020, the economy spent 0.27% of GDP on active measures (including services) which is considerably lower compared with the spending in EU Member States. In 2020, two changes were made in the initially planned scope and amount of the ALMPs, to accommodate the worsening of the labour market situation due to COVID-19. The initially planned expenditures for ALMPs in 2020 were approximately EUR 23.2 million targeting 11 761 unemployed, compared to 8 868 in 2019 (others could benefit from services of ESA).¹¹ With the two subsequent changes, the number of beneficiaries increased to 12 696 and the allocated funds to EUR 29.4 million. The coverage of the unemployed is 7% of the registered unemployed persons that look for a job. The effectiveness of the ALMPs is still limited by the low demand for workers in the economy and the low capacity of ESA (both financial and human). For 2021, allocated funds for ALMPs equal EUR 24,6 million, including 10 279 participants.

¹⁰ Financially supported by the International Organization for Migration-IOM and Open Society Institute (OSI).

¹¹ The Operational Plan is published at: <http://av.gov.mk/content/%D0%9E%D0%9F/OP-2020.pdf>

Figure 3. Spending on ALMPs as a share of GDP



Source: Author's own calculations based on data from the ESA, www.avrm.gov.mk

Data for the implementation of the ALMPs in 2020 show that 10 953 persons have been involved in ALMPs, and additional 57 087 in labour market services which is 86.3% realization of the plan.

In 2018 the government piloted the introduction of the Youth Guarantee (YG). The YG envisages that each young person under the age of 29 will be given an adequate job offer, an opportunity to continue education or be included in an internship or training measure for preparation for employment, within 4 months after completion of education or registration as an unemployed person in ESA. The pilot involved three employment centres (out of 30 centres), and the number of participants amounted to 526, out of which 41% successfully completed this programme. The programme is universal starting from 2019, with special emphasis on 3 regions (Polog, Northeast and Southwest), where the percentage of young people who belong to the NEET category is the largest. More than 10 thousand young people will be involved in the YGs annually, with an estimated rate of 30% of those who would successfully complete the programme. The planned annual cost is between EUR 4 and 5 million¹² (Economic Reform Programme 2020-2022). The Youth Guarantee is financially supported through the IPA II program "EU for Youth", for the period 2020-2022 in the selected three regions.

The YG was implemented in 2020 throughout the economy and progress has been made in achieving all areas of intervention: early intervention; field activities; activation; and labour market integration. In 2020, the YG included 25 502 young unemployed persons (12 863 women), out of whom 7 684 were employed, and 1 257 persons were included in active employment measures aimed at increasing youth employability. The success of YG so far is 35%, which is above the targeted success of 30% in the revised ESRP 2022. Out of the total number of employed persons, 487 persons (6.3%) were employed through employment mediation, 1 070 (14%) were employed through active employment measures, and 135 (1.8%) were founders or managers. In 2020, the renovation of one employment centre was started in Kumanovo and is currently being completed. Aiming at strengthening the capacities of the employees in the employment centres for Youth Guarantee, a 6-day training was held for 32 counsellors in the employment centres who are responsible for the implementation of the youth guarantee.



¹² In addition, for the period 2020-2022, this measure will be financially supported by the IPA 2018 - Sector Budget Support in 3 regions (Polog, Northeast and Southwest) in the total amount of EUR 6.2 million.

The government adopted the first Law on Internships in May 2019. The Law defines an intern, regulates the minimum and maximum period for internships, the rights and obligations of employers and interns, the level of an intern's allowance, etc. The ESA is in charge of establishing and maintaining a register of all internship contracts.

At the end of 2019, the government introduced the so-called Youth Allowance which is planned to be implemented in 2020-2022. This measure should support the employment of young individuals up to 23 years of age with secondary educational attainment in the manufacturing industry. The youth allowance may be used if one of the following conditions is met: the young person (i) is covered by compulsory social insurance on the basis of employment or is self-employed in the manufacturing industry, (ii) is employed in a private employment agency and is outsourced to an employer operating in manufacturing, or (iii) is covered by compulsory social insurance as a farmer.

The allowance is in the amount of MKD 3 000 (approximately EUR 50) per month. According to the Operational Plan for 2021, 2 500 young individuals would benefit from this measure, with a budget of MKD 100 million (EUR 1.7 million).

2.2 Fair working conditions

2.2.1 Secure and adaptable employment

Labour legislation provides a right to fair and equal treatment of workers with temporary contracts.

The share of workers with temporary contracts in North Macedonia in 2020 was 14.6%, which is similar to the EU average (10.7%). Males are slightly more likely to be engaged through temporary contract than females (16.5% and 9.5% respectively).¹³ When considering employees by the European socio-economic group, workers in the category "skilled industrial employees" and "lower status employees" are most likely to be engaged on temporary contracts (41.2% and 28.2% of the total, respectively). About a third (31.3%) of young workers are employed on temporary contracts, which is lower than the EU average of 46.1% in 2020.¹⁴ According to the national legislation (Labour Law, Article 46)¹⁵ the maximum duration of a temporary work contract is 5 years if a worker performs the same duties with the same employer. Temporary work contracts can also be used for replacing workers who are temporarily absent from work (for instance, female workers who are on maternity leave). In the past, the maximum duration of temporary contracts was extended several times as part of the overall measures for increasing labour market flexibility.¹⁶ The Labour Law explicitly states that temporary employees should be treated equally to other workers, except when such differential treatment is based on objective reasons.¹⁷ The probation period (or the so-called trial work) can last up to four months (Article 60 of the Labour Law). In the case of trial work, the worker and employer sign a written work contract defining the rights and obligations of both parties, including the wage and the duration of the contract. The worker who is on probation should give a notice of three days in case s/he wants to terminate the contract. The employer can terminate the work relationship after the probation period in case the worker underperforms on the job.



¹³ Eurostat database, available at <https://ec.europa.eu/eurostat/data/database>.

¹⁴ This difference may though reflect high informal employment of youth in North Macedonia (30 % in 2017).

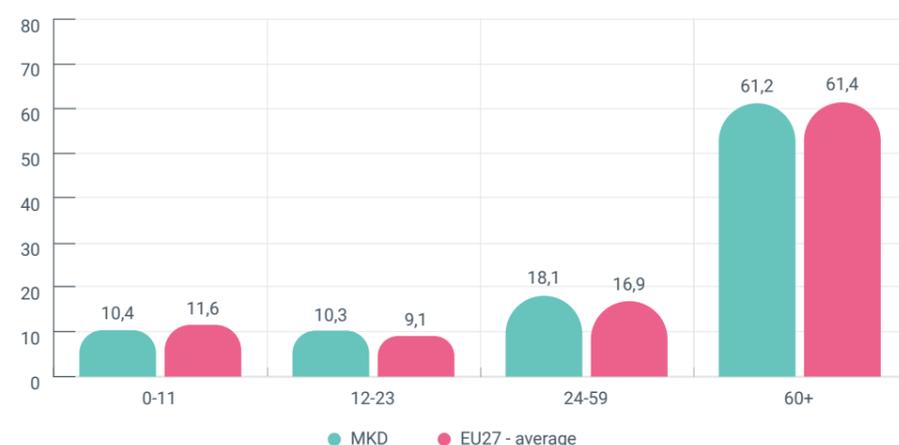
¹⁵ The authorities are preparing a new Labour Law. There are still no public information on the major changes that will be made in the labour legislation. The draft Law has been commented by the World Bank. The authorities have requested a TAIEX support from the EU Delegation in North Macedonia.

¹⁶ Mainly related to the doing business rating or criteria for the assessment of the ease of doing business.

¹⁷ The Law provides no information on what these objective reasons are.

The employment of workers can be considered secure (in terms of duration) and the transitions from temporary to permanent employment are faster than in the EU, but the labour market dynamics are low. The dynamics of the labour market can be assessed by the duration of the employment contracts. Figure 4 shows a comparison between the structure of employment by duration in North Macedonia and the EU-27. The structure is similar to the EU average. Temporary workers have a greater probability to transit to permanent work contracts relative to workers in the EU, on average. In particular, in 2019 the 3-year average of the transitions from temporary to permanent contracts was 52.6%, which is much higher compared to the EU average of 25.6%. Females in the economy face a slightly higher probability of transiting to permanent employment (54.5%).

Figure 4. Employment in current job by duration



Source: Eurostat database, Social Pillar scoreboard

The low labour market dynamics leads to high long-term unemployment. Indeed, many of the unemployed in North Macedonia are long-term unemployed (LTU), i.e. for more than a year. According to Eurostat data, the LTU rate in 2018 was 12.4%, more than five times the average rate of the EU. This shows that very few unemployed individuals exit unemployment for employment. National authorities do not publish data on labour market transitions either from the Labour Force Survey or from the administrative data on employment and unemployment (which are rich and high-quality data).

The awareness and public discussion related to atypical contracts increased. There is only anecdotal evidence for the increasing use of some new forms of flexible and online jobs, especially among youth, however the national legislation does not recognise such work relationships as employment (and does not mention atypical work contracts). For instance, remote work is a form of atypical work that was clearly an inevitable solution for many employees during the COVID-19 crisis. Although the need for regulating this type of contracts was noticed even before, it was especially expressed during the COVID-19 crisis, and the regulation is planned to be part of the new labour law. Moreover, the inspection bodies (mainly the State Labour Inspectorate-SLI, but also the Public Revenue Office) are not prepared to detect such flexible employment relationships. The findings and recommendations of the comprehensive study prepared by the ILO for the atypical work contracts have been already incorporated in the draft new labour law.

The LFS data show that the share of so-called vulnerable employment in the total employment was 14.3% in 2020.¹⁸ According to international standards, vulnerable employment includes employment of unpaid family workers and self-employment out of necessity. Men are more likely to be in vulnerable employment (with a share of 15.4%) relative to women (12.7%). However, the composition of vulnerable employment is very different by gender: while the majority of vulnerable employment of men is self-employment (83.1%), 52.6% of the female vulnerable employment comes from contributing family workers. Moreover, LFS data show that 7.3% of the employed persons worked informally in 2020. Males are more likely to be employed without a contract, 10.5% relative to 2.6% of females.

Slightly more citizens in North Macedonia are self-employed than the EU average, but self-employment is mainly related to existential reasons rather than good business opportunities. About 12.6% of the employed in 2020 were self-employed (Eurostat data).¹⁹ This share is higher than the EU average of around 10%. Still, much of the self-employment in the economy is related to an inability of finding a regular job elsewhere in the economy (i.e. is of subsistence nature) rather than to a profitable business opportunity. Wage employment contributes to 77.3% of total employment, whereas 5.5% of the employed workers are contributing family workers (relative to about 1% EU average).

2.2.2 Wages

In 2017, the elected government embarked on a policy of wage increases as a new paradigm for boosting economic growth. Such policy change involved an increase in the minimum wage (MW), temporary financial support to companies to increase wages around the median wage (wage-range above the new MW level), increases of wages in public administration, but also higher social assistance support (changes related to social assistance are explained later in this report). These increases were expected to boost consumption, and hence, economic growth. In 2020 due to the COVID-19 health crisis, most of the wage increase was only targeted to medical personnel.

Wage developments show that there is generally a growth of real gross and net wages except for the period 2010-2013. The drift in 2009 was due to the gross-wage reform which also reduced the rates of social security contributions. In 2020, gross average wage was 58% higher than the 2005-level (in real terms), whereas the respective increase of the average net wage was 83.7%.

¹⁸ LFS data from Eurostat database, available at: <https://ec.europa.eu/eurostat/data/database>.

¹⁹ See https://ec.europa.eu/eurostat/data/database?p_p_id=NavTreeportletprod_WAR_NavTreeportletprod_INSTANCE_nPqeVbPXRmWQ&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_pos=1&p_p_col_count=2.

Figure 5. Wage developments, 2007-2019



Source: Author's calculations based on data from the State Statistical Office

Wage support was one of the main containment measures during the pandemic with an aim to preserve employment (so called wage subsidies). Wage subsidies had the largest fiscal cost and impact on the labour market (EUR 84 million or 0.8% of GDP). Initially, for April and May 2020, the wage subsidy for the private sector was MKD 14 500 or EUR 236 (minimum wage level), but was extended through June 2020. It was intended for companies and self-employed who suffered at least a 30% decline in revenue. 19 300 companies utilised the wage subsidy supporting around 117 000 workers (i.e. around 18% of the total number of employees) on average per month. The wage subsidy also included 5 900 self-employed per month, accounting for almost 8% of all self-employed. Implementation of this measure continued in the fourth quarter of 2020, although somewhat modified with the subsidy ranging between EUR 236 and 354 depending on the level of decline in revenue. No data are publicly available for the number of beneficiaries of this measure. In this period, 62 500 workers used this measure on average, per month, in 13 000 companies, costing in total EUR 48 million. In addition, the subsidies covered 6 000 self-employed per month, with a total cost of EUR 5 million.

The statutory minimum wage (MW) was increased substantially in 2017 and an initial assessment shows that this uprating brought positive effects on low wages and wage inequality without negative employment effects. The government in 2017 pursued a more comprehensive change of the MW, which included a 19% increase of the MW level to MKD 12 000 in net terms (EUR 200) and levelling up the MW in the three economic sectors which previously had a lower MW to the national level.²⁰ The stated policy objective was to increase overall wage levels, especially those of the low-paid workers, and to reduce poverty and inequality. To help firms cope with the increased labour costs, the government provided temporary subsidies for a 12-months period. The study of Petreski and Mojsoska-Blazhevski (2019) examines in detail the initial effects of the uprating of the MW on wage developments, employment, wage inequality, etc. The study finds fairly favourable changes in the overall wage distribution and inequality. The authors find evidence of "equalisation" of wages in the lower end of the wage distribution and increased bunching of wages around the new MW. Turning to employment, the study did not find a negative relationship between employment and

20 Textiles, apparel, leather and shoe industry.

MW increase, but a small downward adjustment of hours of work. The study however recommends that policymakers should closely monitor the future developments as the study assesses only the short-run effects, and suggests bigger use of statistical data on economic and wage trends and productivity in making decisions about the MW. Following the discretionary increase in 2017, the MW was indexed using a formula that included 1/3 of the average wage growth, 1/3 of the inflation rate and 1/3 of the real GDP growth in the previous year, before being raised again by the government to MKD 14 500 (EUR 236) in December 2019, i.e. by around 16% compared to the level prior to this increase. In order to support this increase, and wage growth in general, the government introduced a measure for financing the additional social insurance contributions of workers whose wages would be raised between EUR 10 and 100. The government's plan was to raise the MW level to MKD 16 000 (EUR 260) by 2020. Data for end February 2020 shows that about 22 000 companies benefit from this financial support, involving around 119,000 workers.²¹ In 2021 the wage increase was according to the Law and the minimum wage and as of first of April 2021 is 15 194 (the 2020 target is not achieved yet).

According to the Global wage report (ILO, 2020), North Macedonia was among the few economies in the world that have decided to stick to their scheduled minimum wage adjustment in 2020. Furthermore, the report shows that in 2020 the productivity grew with much slower pace than the real minimum wage (2.2% vs. 5.9%, respectively).

Wage inequality is not the source of high-income inequality. Despite the public discussion (mainly spurred by the government) that there is a large wage inequality, the study of Petreski and Mojsoska-Blazhevski (2019) shows that wage distribution is much more compressed than the average wage distribution in the EU (hence implying lower wage inequality).

The low-wage incidence declined considerably with the increase of the MW. Prior to the increase of the MW, there were 71 079 employees (14.7% of total wage employment) with wages below two thirds of the median wage which declined to 22 908 workers, i.e. 4.3% of the total wage employees (Petreski and Mojsoska-Blazhevski, 2019). The MW increase along with the reform in the social assistance system from 2019 was expected to reduce poverty rates further. Official data show a declining path of poverty, from 21.9% in 2018 to 21.6% in 2019. 2020 data are not yet published.

Figure 6: Laeken poverty indicators



Source: Statistical Office.

21 Press release by the Ministry of Labour and Social Policy: http://www.mtsp.gov.mk/pocetna-ns_article-merkata-za-subvencioniranje-pridonesi-ja-koristat-22-iljadi-kompanii-pokaceni-se-platite-na-119-ilja.nsp

2.2.3 Information about employment conditions and protection in case of dismissals

The Labour Law provides relatively good protection of workers in case of dismissals, however, implementation of the legislation in many cases lags behind. According to the Labour Law, an employment contract should be signed in a written format (Article 15).²² The employer has to provide a copy of the signed contract to the employee, on the same date when the contract is signed. The employer is obliged to inform the worker about the job to be performed, working conditions, as well as the worker's rights on the job prior to signing the work contract (Article 25). While there is no explicit mention that this information must be provided in written format, all necessary information about the workers' rights and obligations should be specified in the contract. This information includes (Article 28): job title, short job description, information about any job-related risks, working time, basic salary of the worker, holidays and annual leave, allowances to which the worker is entitled, etc.

In general, the legislation for termination of work contracts (the Labour Law) provides some security for workers but still some flexibility for employers. However, there may be gaps between the legislation (and statutory rights and protection) and the implementation. The worker and employer may terminate the employment contract within the specified statutory or contractual notice period. When a contract is terminated, the parties are obliged to respect the minimum duration of the notice period. In case of individual dismissal, the notice period is one month, but it extends to two months in case of dismissal of over 150 workers or 5% of the total number of workers for the particular employer (Article 88). For seasonal workers, the notice period is 7 working days. In case of a collective dismissal, the employer needs to notify worker's representatives and undertake consultations with them at least 30 days before starting the dismissal with a goal of reaching an agreement. These consultations may include ways and means of avoiding collective redundancies or reducing the number of workers dismissed, possibilities to redeploy or retrain workers, etc. The employer needs to notify to the employment mediation agency after the consultations.

The Labour Law provides a detailed elaboration on justified and non-justified reasons for termination of a work contract. Article 72 states that the employer is obliged to indicate the grounds for termination, as stipulated by the Law or collective agreement, as well as to substantiate the reasons justifying termination. Moreover, in case the employer intends to dismiss a worker on the grounds of misconduct, s/he must issue a prior warning in writing of the possibility of such a dismissal in the event of further violations (Article 73)²³. The employer is also obliged to provide to the worker information on potential legal remedies available to him/her, and to inform him/her of the rights to unemployment insurance.

Article 76 establishes three categories of justified reasons for dismissal:

- "personal reason" - defined as the employee's inability to carry out employment obligations due to his/hers conduct, lack of knowledge or capabilities;
- "fault reason" – defined as the employee's violation of contractual or other obligations arising from the employment relationship;

²² Labour Law (Official Gazette No. 62/2005; 106/2008; 161/2008; 114/2009; 130/2009; 149/2009; 50/2010; 52/2010; 124/2010; 47/2011; 11/2012; 39/2012; 13/2013; 25/2013; 170/2013; 187/2013; 113/2014; 20/2015; 33/2015; 72/2015; 129/2015; 27/2016; 120/2018; 110/2019). Consolidated version of the Law (without latest changes) is available at: http://www.mtsp.gov.mk/content/pdf/trud_2017/pravilnici/16,11-akonPa6OдHocи.pdf (in Macedonian).

²³ See amendments of the Labour Law in the Official Gazette No.120/180

- "business reason" – economic, organisational, structural or similar reasons.

Also, the Article 76 states the following related to termination:

Termination of employment referred in this Article shall be performed on the basis of the need for efficient functioning of the employer's work, professional training and qualification of the employee, his work experience, work success, type and significance of the work place, work experience and other criteria determined by a collective agreement, as well as criteria for protection of disabled persons, single parents and parents of children with special needs whose employment is terminated on the same grounds.

Workers are entitled to severance pay only in cases of dismissal for business reasons. The amount of the severance pay is related to work duration – it ranges from one average net wage of the worker to seven net wages (Article 97).²⁴ Article 77 provides a list of "unfounded" grounds for termination, that include the following: membership of a trade union; filing a complaint or participating in proceedings against the employer for violation of contractual and other obligations arising from the labour relation before an arbitration, judicial or administrative authority; approved absence due to illness or injury, pregnancy, birth and parenthood and care of a family member; using approved absence of work and annual leave; performing military service or military exercises; other cases of suspension of the employment contract defined by the Law. On the other hand, Article 81 provides a non-exhaustive list of acts constituting a violation of work regulations and discipline justifying dismissal with notice whereas Article 82 provides for a non-exhaustive list of acts justifying dismissal without notice. The justified grounds for termination without notice include: unjustified absence from work for 3 consecutive days or 5 days within one year, misuse of sick leave, failure to comply with the workforce regulations on health, safety and environmental protection, use of alcohol and drugs, robbery at the workforce or negligence causing damages to the employer, disclosure of business, official or government secrets (Article 82).

The Labour Law provides special protection for pregnant women and union workers. In particular, Article 101 states that the employer shall not dismiss a woman during her pregnancy or while she is on maternity leave, or during leave of absence for childcare. This prohibition also applies to fathers on parental or adoption leave. In addition, Article 200 provides for a protection against dismissal for trade union representatives. A trade union representative can only be dismissed with the prior approval of the trade union. In cases where the trade union refuses to give approval, such approval can be given by the court.

The Ministry of Labour and Social Policy is in the process of preparation of a new Labour Law. Since 2019 there have been two amendments to the Labour law (Official Gazette No. 110/2019 and No. 267/2020). Strengthening the capacities of the State labour inspectorate and reduction of fines for the companies were the main changes of the law, as business community was complaining on the high level of fines.

2.2.4 Social dialogue and involvement of workers

The process of wage setting in the economy is decentralised, through collective bargaining. Collective bargaining in North Macedonia takes place at three levels: at the level of the Republic of

²⁴ See amendments of the Labour Law in the Official Gazette No.120/180

North Macedonia; at the level of branch or department according to the National Classification of Activities (i.e. sectoral or industrial level); and at the level of employer (i.e. company level). Collective bargaining at the national level is conducted for the conclusion of the General Collective Agreement (GCA), concluded for the private business sector and for the public sector. Collective agreements in a significant part take over the provisions of the Law on Labour Relations which regulate the working conditions and terms of employment. Hierarchically lower level collective agreements, in principle, take over the provisions from the higher ones.

Labour legislation in North Macedonia provides for the principle of “favourability” in labour relations, which assumes that in the “hierarchical scale” of labour law sources, lower sources must not contradict the higher ones. Collective agreements may provide for more favorable rights to employees than the Law, while lower level collective agreements more favorable rights than higher ones GCA’s and employer-level collective agreements have “erga omnes” applicability. On the other hand, sectoral (industry) collective agreements have “limited” personal scope: They obligate the parties (trade unions and employers’ associations) that signed them and the parties (trade unions and employers’ associations) that additionally accessed them. They apply to persons (employees and employers) members of the parties obligated by the collective agreements.

Since the conclusion of the GCA for the private sector in 2009, until now, the parties have concluded several agreements (in 2010 and 2012) and amendments (in 2015 and 2016), but there has been no activity since 2016. Since the conclusion of the GCA for the public sector in 2008 and its subsequent amendment in 2009, no new collective agreement has been signed, although a draft-version of a new GCA was launched in 2012.

North Macedonia lacks systematic information on key data and characteristics of national industrial relations. The branch-level collective agreements have to be registered with the Ministry of Labour and Social Policy and are published in the Official Gazette. There is no publicly available information on membership numbers of the trade unions, neither on the coverage of the workers with collective agreements. A recent study of the ILO²⁵ provides this information. The GCA coverage rate is 100%, and according to 2019 data, the coverage of the sector-level collective agreements in 2019 was 20.8%. Based on 2020 data, trade union density rate is estimated at 17.3% with a projected growth to 26%. The data on the membership rate in employers’ organizations shows a coverage of 23.2%. Yet, trade union density in the private sector is significantly lower compared to the public sector.

There is a need for strengthening the bipartite social dialogue for the private sector. The EC report (2020) notes that while there are adequate legal provisions to enable the functioning of the social dialogue, “the bipartite social dialogue in the private sector remains poor, as does the commitment of social partners to reinforce the collective agreements the engagement and the impact of social partners in policy formulation and design remains low” (p. 83). The EC report concludes that the social dialogue is inadequate and that the capacity of the social partners (trade unions and employers’ organisations) remains weak.

There is a mixed progress in the main indicators and targets regarding the strengthening social dialogue and promoting collective bargaining, as set in the revised ESRP 2022. There is some deterioration in the trade union density rate, stagnation in the number of collective agreements

25 Petreski and Ristovski (2021) Country review on the setting of wages through collective bargaining in North Macedonia. Available at: <https://socijalendijalog.mk/wp-content/uploads/2021/06/Wage-setting-through-collective-bargaining.pdf>.

at the employer level, and the rate of successfully resolved collective labour disputes through the mechanism for the amicable settlement of labour disputes (MLSP, 2021). On the other hand, progress has been made in the collective bargaining coverage rate at the branch level. In addition, a functional mechanism for following the recommendations of the Economic and Social Council and regular monitoring of the number of opinions/recommendations issued to the Government has been established.

2.2.5 Work-life balance

The COVID-19 pandemic has put an additional burden on working women (see section 2.1.2). While working from home can add flexibility to the labour market and may help women to achieve a better work-life balance, teleworking could also place a larger burden on women as they have to balance their job requirements, home school their children and complete other household activities.

Women face difficulty in balancing work and life/family. Given the traditional structure of households in North Macedonia, the work/life balance is mainly an issue for women. This difficulty is related to several factors such as: traditional division of labour within households; non-availability of formal child and elderly care social services low access to part-time and flexible employment, etc. As a result of the predominantly traditional character of society and family structures, there is a strong division of gender roles within the families and the caring responsibility automatically falls on women. Hence, women spend a much larger amount of time on family duties than men, with no sharing of responsibilities. Time use surveys prove this point. In addition, women who participate in the labour market spend an almost equal amount of time on household duties as non-active women, showing a form of “modern” discrimination against women (Mojsoska-Blazevski et al., 2017). The availability and affordability of childcare and elderly care is analysed later in this report. We already examined the antidiscrimination framework and policy, arguing that there has been good progress in establishing this regulation, although with relatively weak implementation. However, the overall situation of women in the labour market (and society) is also influenced by some other policies and institutions, such as maternity (and paternity) leave provisions, access to pre-school childcare facilities, flexibility of working arrangements and so on, but also more generally by the social norms, culture and traditions.

Women’s rights in the labour market are generally protected with regard to maternity leave, however the legislation on paternity leave is not well developed. According to the Labour Law (Articles 161-171), female workers in North Macedonia are entitled to nine months of paid maternity leave²⁶ (up to 15 months in cases of multiple births) which is quite generous as compared to the EU practices. The compulsory maternity leave starts 28 days before birth (which can be extended to 45 days prior to birth) and is entirely financed by the Health Insurance Fund. The economy thus meets the ILO standards of 14- and 18-week maternity leave laid down in the ILO Convention No.183 and Recommendation No.191, respectively. In 2014, changes were made to the legislation entitling mothers to three additional months of unpaid leave during which the government covers the health insurance. In 2015, a possibility was introduced for an additional unpaid leave of 3 months in total until a child reaches the age of 3. The benefit level that mothers receive while on maternity leave is 100% of their base salary prior to the leave. The legislation (Labour Law, Article 166) provides financial stimulus for mothers to get back to their work before the end of maternity leave period, an

26 The precise legislative terminology of maternity leave is “leave for pregnancy, birth and parenthood” and is paid to the worker directly by the Health Insurance Fund.

option used by few women. Although this legislation is in place, many females are left without the mandated protection due to their informal employment. Fathers have a right to paid leave of up to 7 days for the birth of a child (though, this Article is more general as it also includes leave for other personal and family matters). Fathers are also entitled to use paternity leave in case mothers do not use their maternity leave, but the use of paternity leave is very marginal, at about 0.1-0.2% of the total number of maternity leaves. There are no incentives for fathers to take leave. Public discussions are ongoing concerning the need for promoting equality between women and men regarding parental leave.²⁷

2.2.6 Healthy, safe and well-adapted work environment and data protection

The areas of health and safety at work in terms of legislative framework, implementation, institutional capacity, etc could be improved. Health and safety at work is regulated by a dedicated Law on Safety and Health at Work (Official Gazette No. 92/2007, with a most recent change in No. 30/2016), bylaws, as well as the ratified ILO Conventions in occupational safety and health. The Labour Law also incorporates provisions related to health and safety at work. While the legislation put in place is relatively good, there are several weaknesses in the system leading to a relatively low level of worker protection. The first one is the lack of a dedicated public body to oversee and enforce the implementation of occupational health and safety legislation. Although the Ministry of Labour and Social Policy is generally in charge of health and safety at work legislation, no specific organisational unit exists in the Ministry assigned with the specific task of developing and overseeing the implementation of the legislation. Second, as the 2020 Progress report (European Commission, 2020) states, a general lack of awareness exists among employers and employees about health and safety, although there is some improvement in this regard. The Department for Protection at Work within the State Labour Inspectorate (SLI) is responsible for the implementation of legislation on health and safety at work. SLI is in charge of monitoring the implementation of legislation on health and safety at work; issuing prior notices for non-compliance and criminal practices; administering a register of all reported accidents at work; issuing approval for compliance with the legislative requirements, etc. The administrative capacity slightly improved with the recruitment of additional inspectors. However, the capacity is still insufficient to ensure that the legal provisions are enforced. The number of inspections intensified during the COVID-19 outbreak and focused primarily on protection of workers' health and compliance with the recommended protective measures. (European Commission, 2020). Fourth, there is no systematic data collection of work accidents and injuries, including fatal ones. Two institutions publish data on work accidents, the Institute for Public Health (which is a public institution) and the Occupational Safety and Health Organisation-MOSHA in North Macedonia (which is a collaborating CIS/ILO centre in North Macedonia).²⁸

²⁷ Macedonian legislation does not specifically regulate or protect the right to paternity leave, and no incentives exist to encourage men to take leave for childcare. Implicitly, the legislation protects the right of fathers to take a very short period of paid leave due to fatherhood (2–7 days, which is currently being further regulated through collective (bargaining) agreements). In 2014, the authorities introduced unpaid paternity leave of up to three months until the child reaches the age of 3. However, although it was intended to serve as potential leave to be used by any parent, the Labour Law delegates this right to "female workers," whereas the Law on Mandatory Social Contributions uses the general term "worker." Although the right to maternity leave can be used by either of the parents, there is a negligible take-up rate of parental leave by fathers. Data from the Health Insurance Fund show that in 2017 there were in total only 79 fathers who used this benefit instead of the mothers (about 0.76% of the total number of people who took parental leave).

²⁸ See <http://www.new.mzzpr.org.mk>.

The lack of reliable data on work accidents in North Macedonia presents a major obstacle for developing evidence-based OSH policies in line with the International Labour Standards and EU regulations. According to the Law on Safety and Health at Work, an employer is obliged to report immediately or at most within 48 hours to the labour inspection every injury, collective injury or fatality that result in an inability to work of more than 3 days (Article 36). In addition, employers must report each workplace injury to the Health Insurance Fund (the report needs to be filled in also by a medical person), and the Fund would then report to the public health centres (local offices of the Institute for Public Health-IPH). Based on these reports, the IPH prepares statistics on workplace accidents. However, in practice this system does not produce reliable statistics (ILO, 2019). One of the main challenges for data collection on work accidents is the high informality in the economy where app. one in five workers works informally. Improving the collection of work accident data is a crucial for developing effective national OSH policies and programmes. Moreover, there is a need for development of a labour inspection statistical system which will collect, monitor and report quality data and produce "evidence" for policymakers (ILO, 2019).

According to the annual report of MOSHA (2020), there were 127 workplace accidents in 2020, out of which 25 had fatal character. The incidence of fatal accidents was 3.14 per 100 000 employed persons (taking into account the total number of employed persons in the economy in 2020 of 794 909). The incidence of non-fatal accidents was 19.18 per 100 000 employed persons. Most non-fatal accidents occurred in manufacturing, followed by public administration and construction. About one third of the fatal accidents were in the private households.

The institutional capacity related to health and safety at work needs to be strengthened. The institutional structure includes the National Council for Safety and Health at Work, an expert advisory body established by the government. The Council consists of 15 members including representatives of employees and employers, government representatives, as well as professionals and academic institutions working in the area of health and safety and labour medicine.

Data from the Ministry of Labour and Social Policy (2021) show that in 2020, a total of 32 116 inspections were performed (19 057 in the field of labour relations and 13 110 in the field of occupational safety and health at work (OSH), based on which a total of 2 968 decisions were issued for breach and irregularities (1 968 in the field of labour relations and 1 000 in the field of OSH). A total of five new inspectors were recruited (4 in the field of labour relations and one in OSH), which increased the number of inspectors to 118 inspectors (80 in the field of labour relations and 38 in the field of OSH), and also four inspectors were promoted. During 2020, seven online trainings (4 specialized and 3 generic) were held for the state labour inspectors.

There is some progress in the activities related to the improvement of the legal framework for OSH. The new law which is under preparation should improve the implementation of policies, standards and measures in this area. A draft text of the Law has been prepared, which will be publicly discussed in order to obtain an improved, modern and effectively applicable legal framework regarding the health and safety of workers.

Legislation provides adequate protection of personal data. Article 44 of the Labour Law regulates the area of personal data of employees. According to this Article, the personal data of workers may be collected, processed, used and delivered to third parties if that is necessary for exercising the rights and obligations of the employment relationship or related employment. Data can be delivered to third parties only by the employer himself or an authorised employee. The personal data of workers

for which there is no longer a legal base must be removed immediately and not be used afterwards. This same data protection applies to job candidates. The Law also provides a general provision for protecting and respecting the personality and dignity of employees, as well as for taking care and protecting their privacy (Article 43). There is no specific ban on the employer to monitor employee communications though. While there is no direct reference to control over the use of social media by a worker in or outside of the workplace, employers can ban the access to social media during work hours, at least on the PCs at the workplace.

2.3 Social protection and inclusion

2.3.1 Childcare and support to children

Government made some amendments in the legislation (bylaws) to mitigate the negative impact of the COVID-19 pandemic on children and those in need. A Decree on Implementation of the Law on Child Protection during a State of Emergency was adopted that included an extension of the duration of expired child protection benefits (i.e. the newborn allowance and parental allowance for a third and fourth child) of up to three months after the end of the state of emergency. The education allowance criteria related to regular school attendance were waived up until the end of the school year.²⁹ In 2020, the number of children beneficiaries of child allowances increased by 12% and the number of beneficiaries of educational allowances increased by 178% (mainly due to the extension of this right for children in primary education) (MLSP, 2021). However, despite the significant increase in the number of beneficiaries (total of 69 816 in 2020), the number is well below the projected coverage of a total of 140 000 beneficiaries (75 000 beneficiaries of child allowance and 65 000 of education allowance) set in the revised ESRP 2022.

Few children attend preschool education. National data show that around 12% of children aged 0-2 years (data published by the Statistical Office) were enrolled in formal childcare in 2020. In addition, 38.8% of the children aged 3-5 years were attending formal childcare. Based on Eurostat data, 13.0% of children aged less than 3 years in North Macedonia in 2019 were in formal childcare, much less than the EU-27 average of 35.3%. Public kindergartens are a major provider of pre-school services, with a very low private sector share of 2.7% in total enrolments in 2020. Low enrolment in preschool is explained by a combination of supply and demand factors. On the supply side, there is a limited availability of kindergartens (especially in rural areas) which leads to overcrowding, very high child-staff ratios and waiting lists (World Bank, 2015). In 2019, the actual overall average child/staff ratio was 7.4 whereas the legislation sets the child/staff ratio at 3.9 (for groups of children aged 0-2 years) and to 8 (for children aged 3-6 years).³⁰ The child/staff ratio decreased in 2020 to 5.1 due to the new Operating protocols for kindergartens which aimed to prevent spread of COVID-19. The non-availability of formal childcare is higher for young children aged 0-2 years. Although availability is the major challenge there is also a (smaller) issue with affordability and quality. In terms of affordability, there are special programmes of full or partial financing by the government for children from poor and vulnerable groups. The regular cost per month is EUR 25. A comparative World Bank (2015) study shows that the quality of public childcare facilities in North Macedonia is

²⁹ Decree Implementing the Law on Social Protection during a State of Emergency ('Official Gazette of North Macedonia', No. 89/03, dated 04 2020); Decree on Implementing the Law on Child Protection during a State of Emergency ('Official Gazette of North Macedonia', No. 88/03, dated 04 2020).

³⁰ This is calculated based on the staff requirements for the groups, in the Law for Child Protection. The actual ratio is calculated based on data on kindergartens published by the SSO. In some kindergartens there are up to 40 children in one group.

relatively high. The World Bank concludes that the main area for improvement is human resources even though North Macedonia is considered the best in the Western Balkan region as regards this indicator. Based on this finding, the World Bank proposes to establish education and accreditation programmes to prepare caregivers and care-entrepreneurs. Indeed, as part of a joint effort with UNICEF the government has started developing new curricula for training of nurses and teaching staff in kindergartens. Demand for childcare is affected by the options for families to use informal childcare (by family members, relatives), intra-household decisions regarding care responsibilities within the household which is largely dependent on the employment status of the mother, as well as by parents' perceptions about the quality of formal childcare provision (the demand is higher for parents who perceive kindergartens to be of higher quality).

In 2020 the government adopted special COVID-19 Operating protocols for kindergartens. With the protocols, inter alia, the size of educational groups was reduced. As this significantly reduced the capacity of the kindergartens, priority for attendance was given to children of single parents and those with two working parents.

The government plans to expand the capacity of formal childcare through a World Bank (WB) loan, with a special focus on children from disadvantaged backgrounds. The government will undertake several measures in the forthcoming period to improve access and quality of pre-school education. The number of public kindergartens will be increased – new facilities will be built and/or other public buildings will be adapted through a loan from the World Bank (amounting to EUR 29.3 million/ USD 33.4 million) as part of the WB social services improvement project for the period 2018-2024. The main goal of the WB Project is to expand coverage and improve the quality of social services, including preschool services, for vulnerable groups.³¹

The government has announced that with the World Bank loan, the capacity of pre-school system will be increased by 7 500 places for children aged 3-6 years, reaching a 50% enrolment rate for children in this age bracket. Available information published on the website of the Ministry of Labour and Social Policy show that four municipalities started to build kindergartens with the above-mentioned government support, with total capacity of app. 500 children.³² Within the social protection system, children from poor families are currently supported by child allowance and, so far, by conditional cash transfers (CCT) for enrolment and attendance in secondary school. The child allowance is an entitlement stemming from the Law on Child Protection as part of the overall social assistance system. The aim of this programme is to lift children aged up to 18 years of age (and their families) out of poverty, however its effects are very small due to the low coverage of the programme (only 2% of all households with children, based on administrative data). The CCT programme was introduced in the school year 2010/2011, supported by the World Bank. The programme has shown good results³³ and this has motivated the government to broaden and incorporate the programme into the regular social assistance system, as a new entitlement called "educational allowance".

Despite the pandemic, the capacity of the pre-school systems expanded in 2020. In 2020, 12 public kindergartens and 2 private kindergartens were opened, which increased the capacity by 761 children.

³¹ Official WB documents are available at: <http://projects.worldbank.org/P162246?lang=en>.

³² Information from the press releases on the web page of the Ministry of Labour and Social Policy: <http://www.mtsp.gov.mk>.

³³ The project report by Armand and Carneiro (2016) showed that the CCT exerts a strong impact on the school enrolment of children in secondary school but does not impact school attendance (Armand and Carneiro, 2016). Secondary school enrolment at the start of the programme was already at 60%, and the programme increased it by 10 p.p.

The authorities implemented a major reform of the social assistance system in 2019, including the child allowance and educational allowance. Amendments were proposed to the Law on Child Protection with the aim of strengthening the support to children from disadvantaged socio-economic backgrounds. The government goal is to reduce poverty of children aged less than 18 years. In 2018, the at-risk-of-poverty (AROP) rate of children aged up to 18 years was 29.3%, whereas 45.9% of young children were at-risk-of-poverty or social exclusion (AROE). The reform of the child allowance intends to expand significantly the number of children who benefit from the allowance, from 3 200 children (in 2018) to 73 500 children in 2019 (in case of full take-up of the benefit). This is done by changing the eligibility criteria. In particular, previously, a child/household was eligible for this allowance if one of the parents was employed or received unemployment insurance benefit (it was still means-tested). With the new changes, the eligibility for the child allowance is extended to all the beneficiaries of social assistance, depending on the financial situation of the household and the number and age of children in the household. The allowance is available for households with income up to EUR 98 (MKD 6 000) for the first member and then using an equivalence scale for the additional household members.³⁴ The allowance is indexed to the CPI. Additional positive aspect of the overall reform was the so-called “grouping of the rights” which involved alignment of the eligibility criteria for the child/educational allowance with those of the GMI. As of March 2020, about 33 000 children use this new allowance.

The government also transformed and expanded the CCT programme into a more general and generous educational allowance/benefit. The same rules apply for the household’s financial situation as for the child allowance. It is paid for each child that regularly attends either primary school (in monthly amount of EUR 11.4/MKD 700) or secondary school (EUR 16.3/MKD 1 000 per month which is the same level as the previous CCT). The calculations show that about 64 316 children are potential recipients of the educational allowance, which is a large increase from the 3 800 previous beneficiaries of the CCT.³⁵ Eligibility depends on regular attendance in school (children can have at most 15% absences from regular classes). The allowance is paid to the mother, as was the case in the CCT system. The allowance is indexed to the CPI.

With these reforms, the government plans to significantly increase its child protection role and ensure that all children have equal chances to reach their full potential in life. The programmes are expected to expand and extend to many more children/families. Still, there are several drawbacks in the announced reforms. First, the calculated costs of the reforms appear to be rather low (at least compared to what researchers have calculated in some previous studies) mainly due to the low amount of transfers. Second, the effectiveness of these changes will largely depend on the proper implementation of the programmes including the persons working in the field (e.g. teachers in kindergartens and social workers). Third, the effectiveness of the programmes will be largely influenced by the actual take-up of those eligible (take-up of previous programmes was shown to be very low).

2.3.2 Social protection

As part of the COVID-19 containment measures and anti-crisis packages, the government made changes to the Guaranteed Minimum Income (GMI) in 2020 to allow quick and easy entry into the

³⁴ 0.5 for the second member, 0.4 for the third and fourth member, and so on. For single parents, the equivalence scale increases by 0.5.

³⁵ Press statement of the government/Ministry of Labour and Social Policy. Available at http://www.mtsp.gov.mk/pocetna-ns_article-so-temelni-socijalni-reformi-rabotime-na-namaluvanje-na-siromashtijata.nsp.x.

system of those without jobs and income, and to protect living standards. On two occasions (2 and 24 April, 2020), the government relaxed the eligibility rules for the main instrument providing a social protection floor, namely the GMI. This was to ensure that those who lost income could immediately enter the scheme. In normal times, the period for income testing is three months prior to an application; however, this was reduced to one month and the property ownership criteria were relaxed. This could also have accommodated some informal workers.³⁶ In 2021, the right to GMI has been granted for any state of emergency situation (epidemics, pandemics, fires, floods, or other major natural disasters (Law for the Supplementation of the Law on Social Protection, Official Gazette No. 302/20). From these changes until December 2020, the GMI number increased by 15% to 33 175 households compared to the number of beneficiaries before introducing the GMI. While this shows an increased support to the poor, the effect is much smaller than the government’s intentions.³⁷ The relaxed conditions for GMI have had a positive impact on income of the poorest citizens and led to the distribution of a proportionately larger share of funds in households with children. For example, over 40% of new GMI beneficiaries were households with children, mostly of Albanian and Roma ethnic origin (MLSP, 2021).

Improving social services is key to successful social inclusion. Social Work Centres have a crucial role in supporting inclusion of social assistance beneficiaries (along with the employment offices). The overall social reform also included changes in the organisation of work of the SWCs. With the Law on Social Protection from 2019, for the first time, several new social services are provided, such as: personal assistance, help and care at home, respite care, intended for people with disabilities and the elderly. Moreover, a system of licensing non-public social service providers and a system for public funding of non-public social service providers have been introduced. A Commission for licensing social service providers and a Commission for providing funds for social services from municipalities and other providers were established with an aim to develop and provide social services from licensed and authorized providers (associations and private providers)³⁸. As of December 2020, there were 24 licenses issued for providing social services to associations and private entities (from 0 in 2018). Of those 20, 12 are providing home services, 2 community services, and 6 extra-familial care services. The target for 2022 is 30 licenced providers.

In 2020, with the newly established system for granting funds to licensed social service providers, funds were awarded for provision of social services, namely personal assistance, supported living and accommodation in an institution for treatment and rehabilitation of persons with addiction and other marginalized persons (MLSP, 2021).

In 2020, the MLSP concluded agreements with 22 municipalities to award grants for establishing and developing social services, within the Social Services Improvement Project financed by the World Bank. These grant agreements will involve 26 municipalities and 1 040 beneficiaries. One of the goals of the project is the development and provision of social services at the local level, through licensed service providers. Most of the newly created services are home care and assistance of older persons, day care for people with disabilities, service for rehabilitation and reintegration of people with disabilities, day care for older persons, day care for children with disabilities, temporary residence for victims of domestic violence, personal assistance, counselling of families at social

³⁶ At the end of 2020, the Law on Social Protection was amended to include this special (relaxed) eligibility criteria in the case of emergency situation in the Official Gazette No. 302/20.

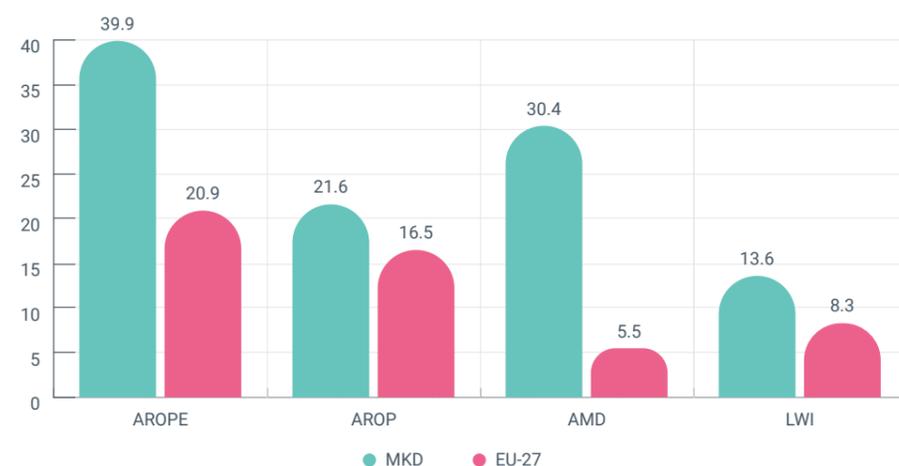
³⁷ The assessment of the Ministry of Labour and Social Policy was that the modified criteria for Guaranteed Minimum Income would extend the coverage by 15 500 additional households.

³⁸ Authorized providers are service providers which provide social services at the cost of the state.

risk, day care of children at social risk. The total planned number of users (total capacity) of the newly created services is 995 people, where 95% of the users would be older people 65+ (MLSP, 2021).

The relatively high poverty rate in the economy points towards the need to expand the coverage and to increase the effectiveness of the social assistance system. North Macedonia has a comprehensive system of social security which comprises: i) contributory benefits (such as pension and disability insurance), ii) passive and active labour-market programmes, and iii) social assistance programmes for protecting income and consumption of the poor. The economy is characterised by high poverty as measured by the AROPE. As Figure 7 shows, in 2019 39.9% of the population in North Macedonia was at-risk-of-poverty and social exclusion; much higher than the respective share in EU Member States. The AROP which measures income poverty was 21.6% in 2019, showing that it is mainly material deprivation that drives AROP. Indeed, 30.4% of the population faced severe material deprivation (SMD) defined as a forced inability to afford at least four of nine items considered by most people to be desirable or even necessary to lead an adequate life. The incidence of low work intensity (LWI) is quite high (13.6%) which is expected given the high overall unemployment in the economy (though there was 2.8 p.p. in 2019).³⁹ There are no gender differences in the above measures of poverty and social exclusion.

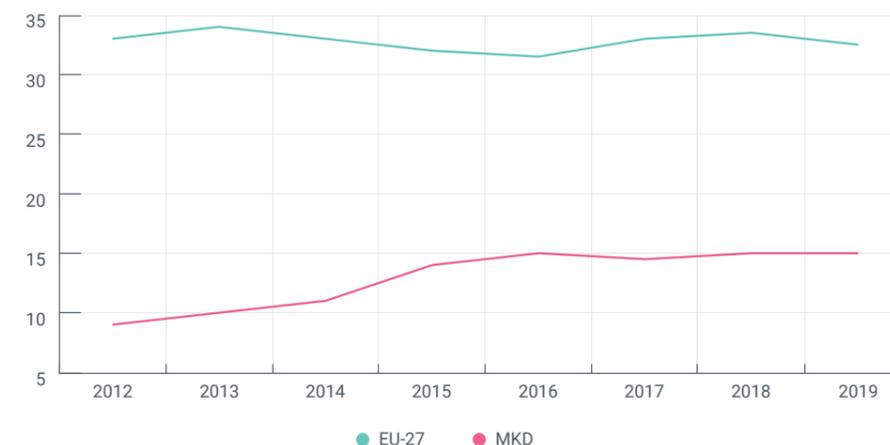
Figure 7. Poverty and social exclusion, 2019



Source: Eurostat database, European Pillar of Social Rights (Scoreboard)

³⁹ People living in households with very low work intensity are people aged 0-59 living in households where the adults work less than 20% of their total work potential during the past year.

Figure 8 Impact of social transfers (excluding pensions) on poverty reduction, in %



Source: Eurostat database, European Pillar of Social Rights

Pensions have an important role in reducing poverty. In 2020, pensions reduced AROP by 15.7 percentage points (p.p.), from 41.1% to 25.4%.⁴⁰ By contrast, the impact of other social transfers is very low, reducing AROP only by 3.8 p.p., or by 14.9% (see Figure 8). In comparison to the EU, the impact of social transfers on poverty is low. However, there is a clear trend of increased importance of social transfers in lifting people out of poverty in North Macedonia.

The Progress report (European Commission, 2020) detects main areas of improvement in social policy. The report acknowledges that some progress was made on social inclusion and protection, including some new services to disadvantaged citizens (such as the piloting of a new personal assistance scheme for people with disabilities) mainly due to the new Law on Social Protection. Still, the Commission notes that despite the introduction of indexation of the basic cash benefit support for socially disadvantaged families with the CPI, the amount of the benefit is still too low to make a difference. The report recommends further strengthening the capacity of SWCs to implement the newly adopted legislation, in line with the policy of decentralising social assistance of Government of North Macedonia.

In 2019, the government started a large reform of the social and child protection system, and its implementation began in May 2019. The primary aim of the reform is to reduce poverty, but also to improve access to the social system, increase the effectiveness of social transfers and achieve better outcomes with the same resources.⁴¹ A detailed background analysis of the reform is provided by Ruzin et al. (2018). The reform involves both financial rights (i.e. allowances) and social services. It includes the following elements:

- Consolidation of categorical benefits into generic types of income support measures (the previous system has over 15 types of social assistance programmes);
- Introduction of a means-tested GMI which is linked to the statutory minimum wage (as a replacement to the current main type of assistance, called SFA);

⁴⁰ State Statistical Office press release on Laeken indicators. Available at: <http://www.stat.gov.mk/PrikaziSooopstenie.aspx?rbrtxt=115>.

⁴¹ SILC data show that apart from pensions, other social transfers have a minor role in reducing at-risk of poverty.

- Introduction of an educational allowance;
- Introduction of a new social pension scheme;
- Easing the administrative procedure for access to financial assistance (actually harmonising the administrative requirements for different types of assistance);
- Intensified activation support for work-able beneficiaries of social assistance programmes and closer cooperation between Social Work Centres (SWCs) and local employment offices in activation of social assistance beneficiaries.
- Introduction of a so-called “family social worker” and change of the current work approach of social workers from programme-based to case-based.

With the new system, the following types of programmes are available (Law on Social Protection, Official Gazette No. 104/2019, Article 27):

- GMI;
- Disability benefit
- Benefit for care of other persons;
- Wage supplements for part-time work;
- Housing benefit;
- Permanent financial assistance (for not work-abled individuals; exists currently in modified form);
- One-off financial assistance.

Besides this, the amount of one-off financial support for new-borns will be increased significantly and health protection becomes an entitlement of all social assistance beneficiaries.

The reduction of poverty as a result of the reform is estimated at 8%, to reduce the poverty rate to 18.7% in 2019 (Gerovska, 2018). The key performance indicators for the government regarding the success of reform are to reduce the poverty rate to 16% in 2021, and to integrate at least 20% of the GMI beneficiaries into the labour market. Initially, the costs for social assistance will be much higher than currently until exhausting the parental allowance for the third child. Indeed, an important change concerns removing the current programme of parental allowance for the third child. This programme proved to be costly and ineffective in increasing fertility, which was its primary aim (Gerovska, 2018). Of the current costs for social assistance (about 1% of GDP), this programme alone amounts to 0.37% of GDP. The current beneficiaries of the programme and those who are potential users in the near future (i.e. currently pregnant women) would resume to receive the benefit until it's exhausted (the duration of the benefit is eight years). Last available published data for poverty is for 2019 and it shows only 0.3 p.p reduction when compared with 2018.

As indicated above, in 2019, the Government introduced a means-tested GMI. The amount of the GMI is set at EUR 65 (MKD 4 000) for the individuals that hold the right to the assistance, and a

variable part based on the number of household members (equivalence scale of 0.5 for the second member, 0.4 for the third and fourth one and 0.2 for the fifth member, up to five members; and 0.1 for every child). The equivalence scale is increased by 0.5 for a single mother and for persons who are not work-able due to mental or physical disability. There is no declining benefit schedule with time (that is a change from the previous system) which may discourage job search efforts of the beneficiaries, although there are some other mechanisms in place to support activation and job search efforts. The beneficiary and the other unemployed family members are obliged to register with the ESA, and to sign an individual employment plan. According to the data published in the official annual report of the MLSP, there were 27 553 GMI beneficiaries 2020.

Figure 9: Number of GMI beneficiaries



Source: Ministry of Labour and Social Policy, and SSO

As Figure 9 shows, the number of GMI beneficiaries increased substantially due to COVID-19 crisis as well as the relaxation of the eligibility criteria (see below).

There were improvements in implementing deinstitutionalization in 2019, but the pandemic halted the progress. Progress had been achieved in 2019 relative to 2018 in terms of the number of persons accommodated in housing units with support or group homes and in residential institutions for social protection. For instance, the former indicator increased from 173 in 2018 to 226 in 2019, but then stagnated in 2020, mainly due to the temporary cessation of the resettlement of users. The number of users of social services (per service type: homebased, community-based, extra-familial care) increased from 3 058 in 2018, to 4 620 in 2019 and 4 629 in 2020 (the 2022 ESRP target is 4 500). By the end 2019, there was no child under the age of 18 placed in an institution, which is a great achievement.

The MLSP has undertaken serious efforts already in March 2020 to prevent the spread of the COVID-19 virus in residential institutions, small group homes and among social service users. Personal protective equipment and disinfectants were provided for all institutions and special operational protocols were developed, in cooperation with the Ministry of Health. These efforts were relatively effective, though in November 2020 in two (of the three remaining) residential institutions COVID-19 cases were recorded. Furthermore, the day care centres for children and persons with disabilities were closed in March 2020. Government allowed one of the parents (if employed) of the beneficiaries to take care of their child at home, with the salary being paid from the government

budget. In August 2020, the day centres resumed their operation, in accordance with the newly prepared protocol and with reduced capacity of 50%. The first two centres to support foster families at the former residential institutions for children were opened in July 2021 in Skopje and Bitola, and a centre for respite care at the Special Institution Demir Kapija is in a final stage of construction.

A heating benefit is a new benefit that was introduced with the reform which aims to cover the household's heating costs for the winter season, i.e. between October and March. The former system also provided such a benefit - however, it was defined as a programme whereas in the new Law it is a right. The benefit is the exclusive right of the recipient of the GMI and is paid automatically without a need for application. The benefit will be in amount of EUR 16 (MKD 1 000) and will be indexed to the CPI. In the duration of the Pandemic, the benefit will be paid for the full year (12 months) instead of the 6 months as prescribed by the Law (October to March).

The social reform should have been accompanied by an improved information system of financial support and social services. The government plans to develop a new, integrated management information system that will combine financial benefits and social services. This will be implemented as part of the new project and through a loan from the World Bank, its social services improvement project⁴². Within Component 2 of the project (Promoting social inclusion through improved access to social benefits and services), the focus is on strengthening the overall social protection delivery system for improved access to services for existing social assistance recipients and, specifically, for vulnerable groups. On the supply side, the project will support the creation and expansion of preventive and non-residential social service which is expected to improve the outreach of social programmes to poor people (and increase take-up). Within this component, the two existing information systems (databases on financial benefits and social services) will be merged which would enable improved identification of actual individual/family needs, more poor or vulnerable individuals and families receiving support as well as better case management. Realization of the project is satisfactory according to the World Bank. So far almost 9.5 million dollars are being disbursed out of 33.4 million.

There is some progress in 2020 in increasing the efficiency and effectiveness of the social assistance system, but additional efforts are needed to meet the 2022 ESRP targets. The ESRP sets a total of four indicators to measure the effectiveness of the social assistance system. According to the available data, the indicators show some increase in the coverage of households with social assistance, as well as benefits for protection of children and the older persons over 65 years. Additional efforts are needed in order to achieve progress the area of improving the availability of social services and promoting the social inclusion of Roma (especially in the area of housing/social apartments).

2.3.3 Unemployment benefits

North Macedonia has a well-established legal framework for unemployment benefits in place, however, there is a need to strengthen activation efforts. The legal basis for unemployment benefits is the Law on Employment and Insurance in Case of Unemployment (Official Gazette No. 37/1997, with the most recent change published in Official Gazette No. 103/2021). Unemployment insurance is financed by an unemployment insurance contribution of 1.2% from the gross wage⁴³ which is supplemented by budget transfers and is operated by the ESA. The legislation requires that the registered unemployed persons actively search for a job and cannot decline offers from the

⁴² More about the project on: www.ssip.mk

⁴³ The contribution rate was reduced in 2009 to 1.6 %.

ESA for an appropriate job or participation in an active measure or service. According to the Law, active job search is defined as at least one of the following activities: regular re-registration with the ESA, attending interviews with employers arranged by the ESA, accepting a suitable job offer in terms of educational attainment and knowledge, accepting participation in ALMPs, etc. In practice, however, re-registration is usually the main and sole 'activity' in the job search requirement given the low labour demand in the economy, relatively limited scope of ALMPs and high workload of ESA officers (on average, an ESA officer serves about 700 unemployed persons). Although the legislation requires that persons not meeting the activity requirements be removed from the register, in reality such cases are usually perceived as an artificial, politically motivated way of reducing registered unemployment. Few years ago, the authorities divided the ESA register of unemployed persons into two categories: "active jobseekers" and "other unemployed persons". This division is based on individual reporting by the unemployed at the registration and can be changed at any time by the person herself/himself. As of April 2021 (latest available data), there were 144 390 registered unemployed persons, of which 87 463 (46.2%) were active jobseekers. Active jobseekers are obliged to re-register more frequently than passive ones and have access to ALMPs, which is not the case for the latter category. Throughout the transition, the unemployment benefit has been changed several times in terms of reducing its generosity (mainly its duration, but also the benefit level). The replacement rate of the unemployment benefit is 50% of the average worker's wage in the last 24 months prior to losing the job. If an unemployed person receives the benefit for a longer period of time, then the replacement rate is 40%. The calculated level of unemployment benefit is indexed to the cost of living from the previous year, if the benefit duration exceeds 12 months. The maximum limit of the benefit is 80% of the average net wage in the economy. The average level of benefit in May 2021 was approximately EUR 140 (MKD 8 583) which is 65% of the statutory minimum wage in the economy and 32% of the average net wage. The benefit is means-tested. The system does not allow for earned income to be supplemented by benefit when taking up low-paid or part-time work, although it assumes a temporary withdrawal of the benefit if the recipient is engaged in public work measures.

The enhancements in the operation of the Employment Service Agency (ESA) have been limited. Most planned activities in the revised ESRP 2022 did not progress such as introducing a new service model, a new system for collecting and announcing vacancies, and a new business process, revisiting implementation procedures and reformulation of employment services. Some progress was achieved in digitalising services. Throughout 2020 a total of 7 trainings were organized for 129 ESA employees, which is below the set target of 550 employees, i.e. each of the employees to be involved in a training or seminar at least once a year. Due to the 2020 budget constraints, the Agency was unable to realise the planned modernisation of the employment centres, so only the renovation of the employment centre in Kumanovo was started.

Very few unemployed people in the economy are entitled to unemployment benefit mainly as a result of the long-term character of the unemployment. In April 2021, only 4.1% of the registered unemployed individuals were receiving unemployment benefit. Hence, unemployment benefit plays only a marginal role as a safety net during a period of job search. Such low proportions reflect the labour market situation in the economy in which the majority of unemployed do not have any prior work experience or are long-term unemployed who had an unsuccessful job search and exhausted their eligibility. The entitlement conditions for unemployment benefit restrict benefits to people who have a sufficient contribution record from work: at least nine months of continuous work or 12 months with breaks in the last 18 months. Some categories of workers such as first-time jobseekers

and self-employed are not covered by the benefits, whereas seasonal workers are entitled to the benefits if they meet additional criteria (number of hours worked during a week). The duration of the benefit payment has been reduced a few times during the transition from a maximum of 18 months in the past to a maximum of 12 months for those with 25+ years of contributing period (i.e. work experience). However, there is also a possibility for indefinite duration (until retirement) for those who have at least 15 years of work experience (and contributions) and 18 months remaining to retirement according to the amendments of the Law on Employment and Insurance in Case of Unemployment in 2012 (Official Gazette of Republic of Macedonia No.11/12). The major category within the unemployed receiving income support is redundant workers (more than two thirds of the recipients). Only a small proportion (around 21%) of the entitled unemployed receive the 'regular' unemployment benefit, while for the majority of unemployed workers the scheme provides an early retirement allowance until they reach retirement age and become entitled to old-age pension. It is for this particular group of unemployed workers that the benefit may discourage job search or take-up of formal jobs.

As part of the COVID-19 anti-crisis measures, the Government relaxed the criteria for unemployment benefit in order to ensure easier access to benefits to workers who lost their jobs. In particular, the eligibility to unemployment benefit was temporarily extended to cases of agreed job termination. The Government relaxed the criteria for unemployment benefit in order to allow all workers who lost their job during March and April to become eligible for a maximum of two months benefit, irrespective of the grounds for losing their job (except in the case of termination due to the expiry of the contract). Between March and October 2020, the number of beneficiaries of unemployment benefit increased by 49 per cent, reaching 7 018 persons).⁴⁴ The situation somewhat stabilized in 2021, with a declining number of beneficiaries (5 896 in May 2021).⁴⁵

2.3.4 Minimum income

The main income support programme for households with low or no income is the GMI. The GMI is the main social safety programme, acting as a last resort support to poor individuals and households. It targets households whose members are able to work but are unable to provide materially for themselves, and involves an activation element (see section 2.3.2 for details).

The GMI was expected to provide higher income support to the poorest citizens and hence to reduce poverty significantly. According to the statements by government officials when introducing GMI, the GMI was expected to increase the amount of the social assistance of a household (of four members and two children at school age) by 300% relative to the SFA. The increased level coupled with the intended increase in the coverage by 45% can be expected to substantially reduce the incidence of poverty and improve the effectiveness of social transfers in poverty reduction. However, most recent data show that in May 2021, there were 34 559 beneficiaries (households) of GMI. The average amount received per beneficiary was MKD 4 870 (app. EUR 80). This is a very low level to prevent households from poverty, even in case the household receives the child and educational allowance. In May 2021, the average child allowance was EUR 11, and the average educational allowance was close to EUR 15.

⁴⁴ Employment Agency of North Macedonia. Available from <https://bit.ly/3i5R5KX>. [Accessed 2 November 2020].

⁴⁵ Employment Agency of North Macedonia. Available from: http://av.gov.mk/content/PN_korisnici052021.xls.pdf. [Accessed 17 June 2021].

Although the government announced that it will strengthen the activation component of the GMI, the main challenge is to increase the take-up of ALMPs. Currently, there are specific ALMPs that target the SFA beneficiaries, but the scope of these programmes is very small (as shown in section 2.1.4, very few unemployed persons in general are covered by ALMPs). To address this constraint, the government introduced an obligation for GMI recipients to participate in employment services of the ESA in the first three years, and only afterwards to participate in some ALMPs on a compulsory basis. Whereas this seems as a realistic plan, it is unlikely that the services alone can largely improve the employment prospects for this category of workers. Moreover, the educational structure of the GMI beneficiaries is very low which is a large impediment to their labour market integration.⁴⁶

In 2020, the Government of North Macedonia implemented direct measures to support the incomes of the poorest citizens who were expected to be hurt significantly by the economic and health crises caused by the COVID-19 pandemic. This support came in two modes, in a form of one-off cash support/vouchers. The second anti-crisis package implemented by the Government (out of the four in 2020) provided one-off support for low-paid workers, the unemployed, welfare recipients and students on a range from MKD 3 000 to 9 000 (approximately EUR 49-146).

Within the fourth package implemented in the fourth quarter of 2020, new categories of vulnerable and low-income citizens were included and a one-off financial support of MKD 6 000 (approximately EUR 98) was provided to them. These involved single parent families, passive job seekers and retirees with a monthly pension of up to MKD 15 000 (EUR 244).

2.3.5 Old age income and pensions

The rising deficit of the pension system is being covered by the general budget and thus stirs a public debate on the issue of sustainability. In particular, budget transfers increased from EUR 342 million (MKD 21 billion) in 2013 to EUR 1.1 billion (MKD 62 billion) in 2021.⁴⁷ Between 2000 and 2016, the budget transfers to cover the loss of the Pension and Disability Insurance Fund (PDIF) increased from 18% to 43% of the total revenues of the PDIF (Petreski and Gacov, 2018). The rising deficit of the PDIF is related to the low employment rate in the economy, frequent ad-hoc increases of pensions, reduction in the ratio of insured persons (contributors) to pensioners, etc. Hence, there is an increasing demand mainly from the IMF and the World Bank for increasing the statutory retirement age.

The replacement rate of pensions is relatively high, whereas the economy faces a declining ratio of contributors to pensions. In 2018, the replacement ratio in North Macedonia was 70% compared to 57% in the EU-27.⁴⁸ The replacement rate increased from 55% in 2012 (data for the economy go back only to 2012). According to the Law on Pension and Disability Insurance, the level of old-age pension is set at 0.75% of the pension base for each year of service for males, and 0.86% for females. The pension base is determined by taking into account the average wage of a worker for each year of the contribution period/service. The minimum pension cannot be lower than 35%-41% of the average wage in the economy (the limit depends on the number of years of contributory period, it is for instance 35% for a contributory period of 25 years for men and 20 years for women, and then increases).

⁴⁶ The scope of the ESA services is much bigger than of the active measures. There are no plans for designing specific active measures for the recipients of GMI as such measure failed in the past with the SFA beneficiaries.

⁴⁷ Based on the 2020 Budget, these transfers are planned at MKD 30.5 billion (EUR 496 million).

⁴⁸ Eurostat database, Social Pillar of Social Rights.

There are two eligibility criteria for an old-age pension: age of a person (64 years for men and 62 for women) and contribution period (at least 15 years of contribution). The effective age of the pensioners was 62 for men and 61 for women in 2017 (Petreski and Gacov, 2018). Since the start of the transition (1991), the ratio of employed persons (contributors) to pensioners decreased from 3 to 1.79 in 2019 (the minimum ratio of 1.3 was achieved in 2002).⁴⁹ Similarly, the number of pensioners per 1 000 employed persons increased from 338 in 1991 to 557 in 2019 (was much higher in 2000s). The average pension in December 2019 was EUR 251 (MKD 15 483) which is similar to the level of minimum wage, i.e. 54.8% of the average net wage in April 2021.

Pensions play a very important role in the economy in reducing the AROPE. Still, they are frequently subject to ad-hoc increases apart from the legally prescribed indexation, which has led to the large increase in the replacement ratio. Hence, it may be argued that pensions are serving more a political role than protecting the living standards of older citizens. In addition, in the past, the government was implementing an active labour market programme which provided subsidised employment through non-payment of social contributions (it was initiated as a separate project, not as part of the regular ALMPs). The programme has led to around 20 000 new employments in 2015-2016, which are exempted from paying social contributions for a period of 3-5 years.

Starting from 2019, the government has been introducing some changes to the pension system in order to cease the rising deficits of the PDIF. In particular, the government announced an increase of the pension contribution, benefit re-indexation, and measures to improve equity across participants in the two pension pillars. These reforms should stabilise the deficit of the PDIF. The contribution level increased from 18% of the gross wage in 201 to 18.4% in 2019 and 18.8% in 2020. In terms of indexation, pensions are indexed twice a year to the CPI (inflation rate) (January and July). The authorities, despite their promise to suspend any other pension increases, decided to make an ad hoc increase of pensions by MKD 722 (about EUR 11) from January 2020. While the IMF (2018) welcomes these changes, they also propose further measures such as tightening the criteria for early retirement and rising statutory retirement age as a basis for long-term sustainability of the pension system. In January 2021 pensions increased only marginally. Currently, there is another amendment of the Law of pensions and disability insurance which should be approved by the Parliament soon. As of 2022, mandatory retirement age will be 64 (under the current law, people can work until 67).

In 2019, the Government introduced a so-called social pension (a form of universal basic pension). This pension targets old people aged 65+ who had at least 1 day of contributory period but do not fulfil the criteria for regular old-age pensions, i.e. do not have sufficient contribution period. The aim of this policy is to prevent poverty among the elderly by securing some minimum income for them. The level of social pension is set at 40% of the average pension level, which is a low level to lift them out of poverty but may certainly help old people to enjoy a more decent old age. Government expected that about 6 000 persons will be entitled to the social pension in 2019.⁵⁰ Data for May 2021 show that there were 8 950 beneficiaries of the social pension, whereas the level of the pension was app. EUR 100.⁵¹

As previously mentioned, the Government provided a one-off financial support to pensioners with low levels of pension and to beneficiaries of the right to social security of the elderly as part of the fourth package of economic measures. The support was in the amount of app. EUR 100.

⁴⁹ Data are published by the Pension and Disability Insurance Fund, as monthly and yearly data, at: <http://www.piom.com.mk/statistika/>

⁵⁰ Based on the 2019 budget proposal presentation by the Ministry of Finance.

⁵¹ Internal data of the Ministry of Labour and Social Policy.

2.3.6 Health care

Health expenditures declined in recent years but have increased in 2020 as a result of the increased spending related to the COVID-19 pandemic. The healthcare system was adjusted to a certain extent to accommodate the COVID-19 patients which resulted in a 47% increase of the initially planned budget expenditures for health in 2020, to a level of EUR 920 million.

Public spending on health is low and declines continuously. Current health expenditures in North Macedonia in 2017 was 6.1% of GDP and almost the same in 2018-2019 with a declining trend since 2003 when it was at 9.0%.^{52,53} Moreover, health spending also declined as a share of government spending from 14.7% in 2000 to 12.4% in 2018). Hence, health spending per capita (in PPP) in 2018 was lower than in most comparator economies except Albania at EUR 885/USD 1073 (current prices) (World Bank, 2018b), while for comparison in Montenegro it was 1700 USD in 2018.⁵⁴ The public health system is financed by health insurance contributions which represented 7.3% of the gross wage in 2018, increased to 7.4% in 2019 and 7.5% in 2020. Data from World bank database show that in 2018, 42.1% of the current health expenditures in North Macedonia was financed by private, out of pocket expenditures.

Citizens of North Macedonia are as healthy as people in other economies in the region, but not as healthy as people in EU Member States (World Bank, 2018a). In recent decades, the burden of diseases has shifted to non-communicable diseases (NCDs), and their risk factors are increasing. In 2019, NCDs accounted for 96% of all deaths. In (2019, the mortality rate from cardiovascular diseases, cancer, and chronic respiratory diseases in North Macedonia was 22.7% (for those aged 30–70) which was much higher than the EU average of 12.4 % (World Bank, 2018b). Rates for diabetes and cancer (especially lung cancer for men) have increased considerably in recent years. The prevention services (i.e. primary health care) and the expenditures on those services are lagging behind the needs. NCDs also have large economic costs. The World Bank (2018b) estimated that the economy is losing 19 900 productive years annually due to early retirement, disability and premature deaths. The extremely high air pollution in recent years is also a burning issue, with large health-related issues and costs, but also economic ones.

Few people report unmet need for medical care. In 2019, only 2.5% of population self-reported an unmet need for medical care relative to the EU average of 1.7%. Males are slightly more likely to report higher unmet need for medical care (2.4% in 2019 relative to 2.6% of males). The healthy life expectancy (HALE) at age 60 (years) in North Macedonia in 2019 was 13.1 years for males and 14.9 years for females.⁵⁵

The COVID-19 had severe impact on the health system in North Macedonia according to the OECD report on the COVID crisis in North Macedonia. The government declared a state of crisis throughout the economy whereby the laws on defense and crisis management give the government a legal basis to better mobilize the support of the army to assist competent institutions, especially in the health sector. In addition, it enables the government to manage the resources of public administration

⁵² Data on health are mainly based on the World Health Organization Global Health Expenditure database, available at: apps.who.int/nha/database, as well as the World Bank database, at: <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=MK>.

⁵³ Current health expenditures per capita were increasing until 2008, and since then are relatively stable.

⁵⁴ Data from World Bank database. Available at: <https://data.worldbank.org/indicator/SH.XPD.CHEX.PP.CD?locations=MK-AL-ME-RS>.

⁵⁵ WHO Global Health Observatory data repository.

bodies, municipalities and other institutions, particularly private health establishments. Many of the hospitals were adapted to become so called COVID-19 Centers, and 19 modular COVID 19 hospitals were built. Wearing masks was mandatory, including in outdoor spaces (until mid June 2021), and all businesses must follow strict hygiene and social distancing measures.

The government presented a draft law for the realization of the project „New University Clinical Center” for construction and putting into service of complex of healthcare buildings. However, there is no progress in construction of this project. The health budget was increased (MKD 6.5 billion in 2020 vs. MKD 5.9 billion in 2019 for the Ministry of Health).⁵⁶

2.3.7 Inclusion of people with disabilities

At the end of 2020, preparations began for continuing the resettlement of beneficiaries with disabilities from the remaining residential social facilities for persons with disabilities. This was done based on special COVID-19 protocols. By the middle of 2022, more than 100 beneficiaries from the Special Institution Demir Kapija are expected to be resettled to support living in cooperation with three EU funded projects. The pandemic significantly hindered the preparations.

In general, 2020 has been a year of stagnation in terms of the support and promotion of deinstitutionalization, mainly due to the COVID-19 constraints, after the progress made between 2018 and 2019. In 2020 there was a temporary cessation of the resettlement of users. On the other hand, as shown in section 2.3.2, there is solid progress in the number of users of social services (by type of services: home, community, extra-familial care).

In 2020, the MLSP concluded agreements with several municipalities to award grants for establishing and developing social services for people with disabilities. These services include day care for people with disabilities, service for rehabilitation and reintegration of people with disabilities and day care for children with disabilities.

The major type of support service to people with disabilities is the residential institutional care. As one of the major achievements, from 2019 onwards there are no children under the age of 18 in institutional care. In 2019, 87 children were resettled from residential institutions into community-based homes. According to the Progress report of the EC (2020) children with disabilities in North Macedonia often lack appropriate social protection and the services offered to these children are very limited.

Significant progress has been achieved in terms of inclusion of children with disabilities in the mainstream public schools. The new Law on Primary Education from 2019 (Official Gazette No. 161/2019) introduced a new system and processes for better integration of children with disabilities in the education system. The Law guarantees free and quality education for all, and puts a special focus on equality, accessibility and inclusion in primary education. The Law introduces for the first time an educational assistance for children with disabilities, affirmative measures measures for students with disabilities enrolled in mainstream public schools, different types of support for students with disability such as Individual educational plan, adaptation of the learning results within the program, etc. The first Concept for Inclusive Education was prepared in 2020. In addition, teacher training was organized related to the above Concept in 2020 and 2021. Furthermore, the government has taken urgent action to improve the living conditions in the Special Institution for Persons with

⁵⁶ Open Finance, Ministry of Finance.

Disabilities in Demir Kapija. These and other institutions of this type have extremely bad conditions (European Commission, 2020).⁵⁷ Hence, the MLSP issued a moratorium on any new admissions to this Special Institution, until the conditions are improved. The moratorium on admitting new residents to the Special Institute of Demir Kapija is still in effect but conditions in this institution remain very poor.

The government is planning to speed up the process of deinstitutionalisation and introduction of pluralism in the provision of care for people with disabilities, in favour of community-based social care. So far, a new form of community care was introduced, so-called “supported living”.

The below Table 1 has data on placement of persons with disabilities in long-term care in North Macedonia, based on the administrative data of MLSP, received in September, 2021.

Table 1

| | Persons with intellectual disabilities | Persons with physical disabilities |
|---------------------------------------|--|------------------------------------|
| Total placement, out of which: | 334 | 59 |
| Long-term residential institutions | 204 | 41 |
| Supported living | 124 | 7 |
| Small group homes* | 6 | 9 |

*Only for children up to 18 years old

Following is additional input from the MLSP received in September 2021, in addition to the data in the Table 1. Ninety-six (96) children and adults with disabilities are placed with foster families, of whom forty-one (41) are children with disability (up to the age of 18) and 55 adults with disabilities (18 or more years old). The MLSP does not hold aggregated data on the type of disabilities that these children and adults face. Thus, the total number of children and persons with disabilities placed out of their primary (biological) family is 489. There are currently no persons with disabilities placed in centers for victims of domestic violence. Approximately 400 children and adults with disabilities use day care provided by day care centers throughout North Macedonia. The MLSP does not hold aggregated data on the users per type of disability. In addition, some 190 persons with physical or combined disability or with total visual impairment (blind) use personal assistance.

The National Strategy for Deinstitutionalisation 2018-2027 provides plans for deinstitutionalisation and transition from institutional (residential) to community-based care. The community-based care will be ensured through: i) direct personal support, ii) ensuring inclusive environment, and iii) indirect interventions for improving the solidarity in the community and the position of vulnerable citizens in need of support. According to the Strategy, the focus will be placed on personalised support and care, flexible to adapt to the needs of the beneficiaries. The following types of support and care will be developed (in general, as well as for children with disabilities):

- Coordinated care and personal packages of services for the beneficiaries with intensive and complex needs, delivered by different care providers;
- Personal assistants and family assistants for disabled children and adults, for persons with intensive and relatively complex needs;

⁵⁷ There are three such institutions accommodating persons with intellectual or physical disability. In 2017 there were 350 persons living in these institutions, from all age groups. Currently, there are less than 250 (July 2021).

- In-house assistance and care, for beneficiaries with relatively simple needs;
- Services for simple and less intensive support and care (advising, mobile services, meeting some social needs, etc.).

The success of these reforms and transformations will crucially depend on the capacity of government institutions, political will and support from all constituents, financial means, etc. The legislative bases for these reforms (and the other reforms in the sphere of social protection) have been set in the new Law on Social Protection that came into force in mid-2019.

One of the potential constraints in the process is that municipalities have not managed so far to develop their social functions. While decentralisation has given this right and obligation to municipalities (to provide social services to their citizens), they still lack institutional, financial and human resources to organise and provide such services. Municipalities have not managed to develop efficient systems for social support and care in order to meet the needs of socially vulnerable groups in their local community. One of the constraints for municipalities in performing this role is also lack of systematic data and information on the vulnerability and social risks of their citizens. In 2020, social protection action plans were adopted by 10 municipalities, focusing on social services, in cooperation with the EU project for technical assistance to the deinstitutionalization.

In terms of the labour market integration of people with disabilities, there is still limited access for people with disabilities (European Commission, 20) and data on vulnerable groups such as children with disabilities or children from the Roma community need to be further improved to allow for solid policy analysis. Disabled persons are a special target group of the ALMPs, and active measures for this particular group of unemployed are financed by the Special Fund for Disabled Persons (functioning within the ESA). According to the Operational plan for 2021, 210 disabled persons registered in the ESA would benefit from subsidised employment. The measure, i.e. the support to employers employing a disabled person, includes the following elements:

- 20 average net wages in the economy or approximately EUR 8 200 (or 40 for blind persons and physically disabled persons using a wheelchair);
- about EUR 1 600 for adaptation of the workplace;
- financial support of up to 200 average net wages in the economy or approximately EUR 82 000 for equipment (the amount depends on the number of disabled persons to be employed);
- work preparedness training for the disabled persons to be employed.

To be eligible, the employer must employ the disabled person for an indefinite time and employ the worker in the job for at least three years.

There is a positive trend of rising public awareness and activities for inclusion of people with disabilities. As a more general observation, there is an increasing awareness and public support to work engagement and support of people with mental or physical disability. In particular, there are examples of social enterprises which provide jobs for these categories of persons, as well as an increasing number of companies hiring persons with disabilities (such as coffee bars, etc.).

2.3.8 Long-term care

There is limited availability of elderly care services. The issue of long-term care services has to be viewed along with the demographic structure and developments in the economy. The share of population aged 65+ increased from 11.4% in 2008 to 14.2% in 2019. In this same period, the old-age dependency ratio increased from 16.2% to 20.9%.⁵⁸ In 2020, there were in total 30 institutions for elderly care (residential eldercare centres), accommodating 1 371 persons (SSO, 2019). Data presented in the National Strategy for Deinstitutionalisation 2018-2027 show that there are 30 residential care institutions for elderly (of which 5 are publicly owned) and about 1 176 users of the centres. Since 2011, the number of eldercare institutions has increased mainly due to the opening of private centres. The average ratio of elders per staff is 2.54, though with large variability (for instance, average ratio for private providers is 1.94, whereas it goes up to 5.15 in one public centre, in Bitola).⁵⁹ 40% of the overall expenditures of the public residential institutions are financed by the government budget, whereas the remaining 60% are collected through user fees. In general, the institutionalisation rate for all social services (the number of beneficiaries per capita) is 1.1 per 1 000 citizens which is half the rate of the EU-28, and lower than in the neighbouring economies.⁶⁰

The quality and affordability of the available services for elderly care is very low. The World Bank (2015) shows that the main challenges of the care supply for older persons include limited size, i.e. availability, the existing forms/types of care, affordability and quality. In focus group discussions (World Bank, 2015), participants stated that there are very few residential care centres for the elderly in urban centres and that the existing centres are not easily geographically accessible. They also mentioned that most available centres have waiting lists. Another problem stated by the participants in the focus groups was the lack of other types of eldercare than residential care (World Bank, 2015). In particular, the main form of care for elderly in the economy are residential homes, whereas there are very few day-care centres, recreational facilities, or other forms such as formal home-based eldercare (for instance nurses serving elderly people with demanding care and/or medical needs). There are about 8 day-care centres for the elderly across the economy.⁶¹

The government plans to open new day-care centres and social clubs for the elderly. The World Bank (2015) shows that the type of eldercare that is available (i.e. the residential care) is incompatible to the culture and social norms in the economy, with family usually resistant to placing older family members in residential care. The third issue is affordability, as the old-age pensions are generally not enough to cover for these costs. According to the World Bank (2015), the cost of the basic residential services ranges between EUR 420 and 500, with an average of EUR 446 which is almost equal to the average wage in the economy (EUR 455 in March 2021) and well above the average pension (EUR 254 in April 2021).⁶²

There are some positive developments in the area of deinstitutionalisation and pluralism in elderly care services. The main limitation so far has been the lack of regulatory mechanisms that would support various stakeholders to engage in provision of community-based services. Hence, the main



58 Eurostat database: https://ec.europa.eu/eurostat/data/database?node_code=tps00198

59 National Strategy for Deinstitutionalisation. Available at: http://www.mtsp.gov.mk/content/pdf/strategiji/Strategiji_%202018/Strategija_deinstitucionalizacija_Timjanik_2018-2027.pdf.

60 Data presented in the National Strategy for Deinstitutionalisation 2018-2027.

61 National Strategy for Deinstitutionalisation, 2018-2027.

62 The World Bank (2015) data show that public residential eldercare is more expensive than private eldercare, in terms of the basic price (without the upgrades for special rooms, etc.).

focus of the government in the forthcoming period is the process of deinstitutionalisation. This process was started in 2008, with the first national Strategy for Deinstitutionalisation 2008-2018. The process of its implementation was not smooth, there were many obstacles on the way (including low commitment of all parties), leading to only partial achievement of the intended effects. The new government adopted the National Strategy for Deinstitutionalisation 2018-2027 along with an action plan for its implementation. The vision of the Strategy is to establish a system of social services delivery founded on the human-rights approach that promotes the rights, inclusion and dignity of users. But along with the deinstitutionalisation and pluralism, one of the challenges that need to be addressed in the coming period is the need for strengthening and improving the mechanisms for control and monitoring of the quality of services in the care institutions (in all care institutions including the eldercare residential homes). See also section 2.3.2 for more details.

2.3.9 Housing and assistance for the homeless

In 2009 the government started a large project of building 1 754 apartments in 32 buildings for people at social risk. The Project was partly financed by the budget (50%) and 50% by the Council of Europe Development Bank. The institution responsible for completing this Project is the public company for construction and management of housing and business premises of public interest for the economy. Currently 18 buildings have been completed in which 842 households are already residing. Eight buildings are currently under construction with a capacity of 590 apartments. The construction has not yet started for the remaining planned apartments (although the initial plans were to complete the Project by 2018). Still, the Project is of large importance as it is a first one that provides large housing support to socially vulnerable households. There are no other large projects or initiatives in the economy. There are still no significant changes in the indicators in the field of Roma housing, as all initiatives are at an early stage of implementation (MLSP, 2021).

In 2020 one project of communal infrastructure was implemented in a settlement with predominantly Roma population, which is far below the target of 23 set for 2022 in the revised ESRP 2022. Construction of new social housing is underway, but social housing dwellings have not been allocated during the year. There is very slow progress in the two housing projects financed through the Instrument for Pre-Accession Assistance in the municipalities of Vinica, Shuto Orizari and Veles.

There are also other initiatives for helping the homeless with some basic services. For instance, Red Cross has established one help desk/point near Skopje which is open Mondays and Fridays and where homeless people can get some medical checks, hygiene services, one hot meal, as well as talk to a social counsellor. There is also one shelter near Skopje for homeless people which has been recently expanded to accommodate homeless Roma families.

The Law on Social Protection prescribes a right to housing benefit for recipients of GMI who are not work-able and for young people once they leave residential care (persons who at the age of 18 had a status of a child without parents or parental care, up until the age of 26). The benefit is paid by the municipalities. According to data from MLSP, in May 2021 only 21 persons used this benefit, with an average amount per person of EUR 89.

2.3.10 Access to essential services

Individuals and households have relatively good access to water and sanitation. Data from the Multi Indicator Cluster Survey (MICS) 2011 (latest available) show that 99.6% of the population have

access to improved drinking water sources (UNICEF, 2011).⁶³ The situation is similar for Roma and for the poorest quintile of the population, among whom 99% and 98.6% have access to improved sources of drinking water, respectively. In addition, 93% of the population and 91% of the Roma population use improved sanitation. The access is much lower for the poorest households in Roma settlements where approximately one third do not have access to improved water sources and/or sanitation, compared to 92.6% of the overall population with such access.

The government provides some support to poor citizens for heating. Regarding access to energy and heating, there is a specific measure (i.e. programme) in the economy which provides financial support to poor families (recipients of social assistance) for covering the heating costs. With the changes in the social assistance system and the introduction of the GMI, this social programme has become a right for every household that receives GMI (as explained above).

Public transport is expanding in Skopje, but not available in many municipalities. According to the sectoral operational programme for transport, transition economies including North Macedonia combine rapidly increasing motorization with a rapidly declining fiscal capability to support public transport systems and improving transport infrastructure. Public transport is not available in many municipalities and most new projects concern the capital. As Skopje is populated with around 40 % of the urban population, the Ministry of Transport and Communication and the City Administration undertook measures to support the development of and improve the urban transport systems using buses, in accordance with the European emissions legislation. In 2012, the project was completed for supply of 313 new buses, providing comfortable, modern and safe public transportation to the citizens, costing EUR 50 million financed from the national budget. In 2019, new 35 CNG buses were purchased with a European Bank for Reconstruction and Development (EBRD) loan. The City of Skopje plans to improve standards of the urban transport system, by implementing tram-bus project lines, including a new tram-bus fleet, depot and tram-bus corridor. EBRD will finance this project, and Skopje will be responsible for its design and construction.⁶⁴

There is a relatively high level of financial inclusion although there is room to increase it, and the use of Internet and digital payments are still low. Data from the Global Financial Inclusion (Global Findex) show a relatively high financial inclusion in North Macedonia compared to the region or level of development.⁶⁵ In particular, in 2017 77% of the population in the economy (15+) had a transactional account with a bank. This is a comparatively high level for middle-income economies and the region, though much lower than the Euro area's average of 95% (but for instance higher than in Bulgaria, 73%). According to the statistics presented by the Central bank, there are 3.6 million transactional accounts as of December 2020. Furthermore, 1.7 million debit cards and 357 000 credit cards were issued by the commercial banks. In 2020 a 40% increase of the terminals at virtual points of sale (Internet terminals) and a 145% increase of internet payments were fueled by the COVID-19 crisis. However, Eurostat data show that only 29% of individuals are using the internet for making online orders of goods and services when compared to 60% in EU-27 in 2019.⁶⁶

63 We have to use this data given that there was no Census since 2002. Still, this data should be treated with caution as they refer to 2011 and the situation should have been improved in meantime.

64 Sector Operational Programme for Transport http://cfd.finance.gov.mk/wp-content/uploads/2018/02/ipa_2014_037702_the_former_yugoslav_republic_of_macedonia_multi-annual_action_programme_sop_transpor.pdf; Bus rapid transport <https://www.ebrd.com/work-with-us/projects/psd/51752.html>

65 See https://globalfindex.worldbank.org/#data_sec_focus.

66 <https://ec.europa.eu/eurostat/databrowser/view/tin00096/default/table?lang=en>.

Low Internet use for banking may be related to the low level of digitalisation of the population.

Eurostat data show that the level of internet access in North Macedonia in 2020 was 79% compared to the EU-27 average of 91%. Furthermore, 32% of the population held only a basic or above basic level of digital skills relative to 58% of the EU-27 population. There is a declining trend in this indicator since 2015 when 37% of population had digital skills. There was a small difference between males and females on having basic or above basic digital skills in 2019, but it is still in favour of females (32% vs. 31%). Compared to the EU average the digital skills gap is high for both genders, though somewhat higher for males.

3 Conclusion

As elsewhere, the COVID-19 pandemic created large and unprecedented challenges for the government, in an array of policies and sectors. While it started as a health crisis which required policies and measures to protect the health of the citizens, it soon expanded in an economic crisis, affecting virtually all businesses and workers. The Government of North Macedonia implemented four packages of containment measures against COVID-19 pandemic in 2020 and two additional packages in 2021. The total announced worth of the four packages from 2020 which contained 70 measures was EUR 1 billion or 9.2% of GDP. By March 2021, 67.3% of the planned financial cost for the packages was realized, though the government expects that the realization will reach 92%.⁶⁷ This increased the budget deficit from the planned 2.3% to 8.5% of GDP. The 2021 anti-crises packages contained 36 measures with a cost of EUR 178 million.

The containment measures provided relatively comprehensive support to businesses, workers and the most vulnerable citizens during the COVID-19 pandemic. The government policies and measures adjusted relatively fast to the new health and economic reality by changes in the unemployment system, social assistance system and businesses and workers. In general, the support measures were adjusted relatively quickly to absorb those who lost their job or suffered a large decline in their income (even informal workers who lost their job). Though the projected effect of these measures on the vulnerable citizens and unemployed were much larger than the actual effect. Some government containment measures (such as the swap towards online schooling) significantly affected working women, posing a great challenge for balancing work and family time.

Healthcare expenditures declined in recent years, but have increased in 2020 as a result of the increased spending related to the COVID-19. The healthcare system was adjusted to a certain extent to accommodate the COVID-19 patients. This required large increase of the initially planned budget expenditures for health by 47%, to a level of EUR 920 million.

Poverty is a persistent problem in North Macedonia, despite the recent decrease and despite the COVID-19 anti-poverty measures. High unemployment and inactivity in the economy, inadequate social protection systems and low coverage and quality of social services are some of the main determinants of the high poverty level. North Macedonia needs to create a social protection system that provides sufficient safeguards against poverty, promotes equality and supports inclusion of vulnerable citizens in all aspects of the economic and social sphere including education, employment, healthcare and public services. So far, the system of social protection has been only moderately effective in helping poor and vulnerable citizens exit poverty and integrate into the society. Spending on social protection, employment support to the unemployed, and on education and health are relatively low compared to the EU average.

Substantial changes to the social protection system were implemented since mid-2019, which included childcare and early childhood development, social assistance support to poor families, care of older people and persons with disabilities, as well as social services. In the area of early childhood development, the government's focus is on expanding the capacity of preschool facilities,

⁶⁷ <https://vlada.mk/node/24854>.

improving the training and qualifications of teachers, and raising awareness of early childhood learning. Some progress was achieved in the expansion of childcare capacity in 2020 however the COVID-19 pandemic challenged the intended progress. Guaranteed minimum income (GMI) and its coverage was extended to more households. The government also expanded the support of children from poor families through two programmes and by changing the eligibility rules. There is a commitment on the government's side to fasten the process of deinstitutionalisation and to introduce pluralism in social services for people with disabilities. It is too early to assess if the reform has brought any improvement in poverty. Moreover, the COVID-19 pandemic halted some of the planned intended reforms in this area. Government stayed committed to its agenda of increasing the level of the statutory minimum wage even in the COVID-19 period.

In the short-term, the government should aim at improving the implementation of the legislation in anti-discrimination, improving the support programmes to vulnerable citizens (mainly Roma, but also youth). Social workers should be given adequate resources and training to ensure more effective and efficient service delivery, although large reforms took place in 2019. Besides legislation (which is already in place), increased attention could be paid to effective implementation and enforcement. A new labour regulation is under preparation, which, among others, will enhance work-life balance for women, regulate atypical work contracts, etc.

In the medium-term, the focus of the government should be on strengthening institutional capacities and monitoring practices, and expanding programmes to produce intended outcomes. Deinstitutionalisation, introduction of pluralism in service provision for people with disabilities, but also care of older persons, as well as ensuring better quality of such services, pose great challenges. The activation role of social services and employment offices needs to be strengthened and the cooperation between these institutions improved to lift poor people out of poverty. Support policies for Roma need to be developed as an integrated package of services, from housing to educational and employment programmes. Children should be given equal chances and access to quality education in order to achieve their full potential in life. Authorities should be cautious of further increasing the minimum wage, especially above productivity growth. Further efforts should be made to strengthen the data system and to align it with Eurostat requirements. This especially holds in the area of government spending and health and safety at work. Finally, it is a great challenge to produce significant reductions in poverty within limited budget resources and without some major savings in public finances.

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