



STUDY ON
**YOUTH
EMPLOYMENT**
IN THE
REPUBLIC OF
NORTH
MACEDONIA

good.
better.
regional.

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Table of contents

Abstract	5
1 INTRODUCTION	6
1.1 Youth in the labour market	6
1.2 COVID-19 pandemic	11
1.3 Key challenges facing the youth labour market	12
2 YOUTH EMPLOYMENT MEASURES	14
2.1 The Youth Guarantee Scheme	16
3 MAPPING THE SITUATION OF NON-REGISTERED NEETS IN NORTH MACEDONIA	19
3.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs	21
3.2 Tailored outreach mechanisms to identify and assist the most vulnerable NEET groups	21
4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT PROGRAMMES	23
5 A ROAD MAP FOR YOUTH EMPLOYMENT IN NORTH MACEDONIA	24
5.1 An enhanced Youth Guarantee for North Macedonia	24
5.2 Youth Guarantee-Thematic, Policy Phases, according the Council recommendation of 30 October 2020	26
6 REFERENCES	31
7 APPENDIX	33

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LABOUR MARKET DATA-METHODOLOGY NOTE

All labour market data in the RCC ESAP Youth Employment Study, North Macedonia Annex are for the 15-24 age bracket for youth and the 15-64 age bracket for the general population, unless specifically indicated that the data presented are for a different age group. The source of data is indicated in notes to individual figures; where the source is indicated as the [RCC ESAP Observatory](#), the data are from the State Statistics Office, Republic of North Macedonia (LFS data), the Employment Service Agency of the Republic of North Macedonia (ESA) and EUROSTAT, unless specifically indicated otherwise under the figure and/or at the RCC ESAP Observatory.

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Abstract

This Chapter outlines the nature and challenges of the youth labour market in North Macedonia. Although the youth unemployment rate has declined in recent years it remains elevated and many unemployed young people face long-term unemployment, reflecting substantial skills mismatches. The youth labour market is also characterised by large gender gaps in labour market participation and employment, while the participation and employment rates are especially low for young people with a low level of education. Many young people are employed in precarious jobs, leaving them vulnerable to the effects of the economic downturn due to the COVID-19 pandemic, and at risk of poverty and social exclusion. The high level of emigration of young people is problematic for future economic development. The chapter analyses the existing youth employment measures, focusing on the Youth Guarantee that has been introduced in North Macedonia. This has led to a substantial increase in the proportion of young people subject to active employment policy measures, which need to be further scaled up to reach out to the most disadvantaged youth and appropriately financed. The Annex maps the main dimensions of the phenomenon

of young people neither in employment, nor education or training (NEET) and makes suggestions about how policies towards NEETs could be improved. It also identifies the capacity issues in the main agencies responsible for implementing youth employment policies and makes some recommendations about what should be done to ameliorate the identified deficiencies. A comprehensive set of labour market policy measures is outlined, building on experience with the already adopted Youth Guarantee pilot programme and similar measures in the EU. A roadmap is presented, tailored to local circumstances, to enhance the Youth Guarantee in North Macedonia to ensure that no young person is left without a job, or a place in education or training for more than four months after leaving school or university. While this roadmap is an important analytical input, this roadmap cannot replace or prejudice the plans for enhancement of Youth Guarantee Implementation Plan for North Macedonia. The enhancement of the existing Youth Guarantee would make a major contribution to eliminating the social exclusion experienced by many disadvantaged young people living in North Macedonia today and in the future.

1 INTRODUCTION

Over the last three decades, North Macedonia has been through a long process of transition. Due to the rapid privatisation of most of the industrial sector in the late 1990s, many of the links between the education system and the business sector were disrupted. Consequently, the curriculum in the vocational education system became outdated, along with the skills provided to young people who face a difficult entry to the labour market. The economy has grown strongly in recent years, raising GDP per capita from 14.0% of the EU-27 average in 2011 to 16.7% in 2018.¹ In 2019, GDP grew by 3.6%, which led to the creation of many new jobs and a reduction in the unemployment rate which, however, is still one of the highest in Europe. Youth unemployment has been recognised by the European Union as one of the key priorities to be addressed.

In spite of structural deficiencies and supported by fiscal stimulus, the labour market was improving before the onset of the COVID-19 crisis. Job creation was buoyant in 2019, but in 2020 the number of jobs fell by 22,000 due to the economic effects of the COVID-19 crisis.² Many of the new jobs that have been created in recent years hinge on government support in the form of public sector employment, active measures or job subsidies. The labour force increased somewhat in 2019 as more women entered the labour market, but fell by

32,000 in 2020.³ Participation rates remain low especially for women, even though the gender gap has narrowed over the last five years. The employment rate has increased but remains low at 54.7% in 2019, while the unemployment rate continued its steady decline to reach 17.3% in 2019.⁴ Around 80% of unemployed are long-term unemployed, largely reflecting the skills mismatch (European Commission, 2020, p. 48). Educational level and field of study influence the length of unemployment, even after controlling for other factors.

1.1 Youth in the labour market

Youth unemployment and inactivity levels have remained stubbornly high in recent years, despite recent improvements in labour markets indicators. Low labour market participation, in particular among women, and low job creation are the main characteristics of the labour market. Inadequate earnings and unproductive work, lack of stability and security at work, unequal opportunities and treatment in employment, an unsafe work environment, and lack of voice through representation are also a concern (ILO, 2020). Among labour market challenges, the issue of youth unemployment

remains paramount. Despite recent progress, the economy continues to show very poor labour market outcomes, especially for young people, reflecting the challenges youth face to gain a foothold in the labour market. In this section we identify the main contours of youth labour market experience in North Macedonia.

1.1.1. Youth population

In January 2020, North Macedonia had a population of 2,076,255 persons of whom 249,692 (12.0%) were aged 15-24. This share was two percentage points above the respective share in the EU-27 (10.6%).⁵ North Macedonia has a slowly ageing society, with the share of youth aged 15-24 in total population declining from 15.7% in 2009, giving a fall over the decade of -3.7 percentage points, more than twice that in the EU-27 (-1.4%). The reduction in the share of youth in the population makes it all the more imperative that appropriate policies should be adopted to ensure that young people have the requisite skills and opportunities to engage with the labour market. Without this, the future prospects for a prosperous and competitive economy in North Macedonia will be reduced.

1.1.2. Youth- educational characteristics

In 2019, the youth population aged 15-24 was 252.3 thousand, of whom 104.3 thousand (41.3%) had only a “low” level of education having completed compulsory primary education or less, and 137.1 thousand (54.3%) had a “medium” level of education having completed upper secondary school or post-

secondary non-tertiary education.⁶ Relatively few members of this age group, just 10.7 thousand (4.2%), had completed tertiary education. In 2019, about 171.1 thousand of these young people were inactive; many of them were attending secondary school or university, but many others were neither in employment, education or training. More than half of the inactive youth had a low level of education (54.8%) and over two fifths had a medium level of education (42.2%), while relatively few (two thousand) of this age group had completed a tertiary education. A major characteristic of this age group is therefore that many have only completed a basic level of education.

1.1.3. Labour force

In 2019, the youth labour force, either in work or seeking work comprised 81.2 thousand young people aged 15-24 years (down from 82.5 thousand in 2018), of whom 49.6 thousand were young men and 31.5 thousand were young women (down from 54.3 thousand and 28.2 thousand respectively in 2018 - see Figure 1).⁷ The decline in the labour force may be due to demographic factors combined with extensive emigration of young people. In 2018, the great majority, more than three quarters (77.5%) of the young people in the labour force had a medium level of education, having completed upper secondary schooling. The labour force participation rate (the activity rate) of young people is very low; in 2019, it was just 32.2% of the working population in 2019 (up from 31.8% in 2018 – see Figure A1).⁸ There was a large gender difference in

¹ In terms of purchasing power parity (adjusting for price differences) the relative GDP per capita in 2011 was 34.0% of the EU-27 average which increased to 37.5% by 2018. Eurostat online data [nama_10_pc].

² This compares the number of employees in the 15-64 age group in the fourth quarter of 2020 to the same period in 2019. Eurostat online data [lfsq_egan].

³ This compares the number of the active population in the 15-64 age group in the fourth quarter of 2020 to the same period in 2019. Eurostat online data [lfsq_agan].

⁴ Eurostat online data [lfsa_organ].

⁵ Eurostat online data.

⁶ MAKSTAT Labour Force Survey 2019, online data.

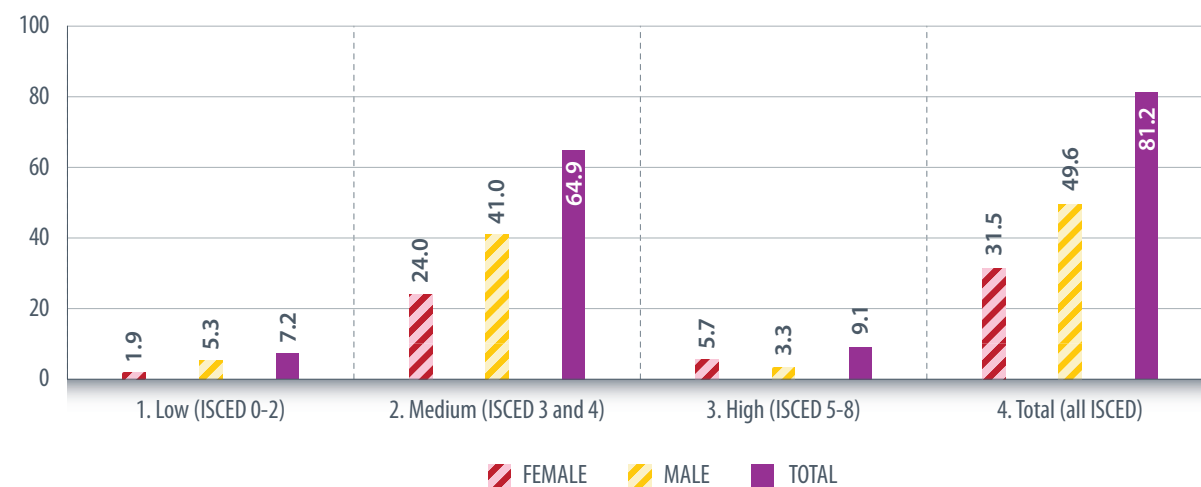
⁷ MAKSTAT Labour Force Survey 2019, online data.

⁸ MAKSTAT Labour Force Survey 2019, online data

the activity rate in 2019, with 38.1% of young men being active compared to just 25.8% of young women. This gender difference was most pronounced among those with medium

education: the activity rate for these young men was 56.2% whereas for young women it was just 37.3% (the activity rate of all medium educated youth was 47.3% - see Figure A1).

Figure 1: Labour force aged 15-24 by gender and level of education, North Macedonia, 2019 (thousands)



Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online data

In 2019, about 52.3 thousand young people had a job, while 28.9 thousand were unemployed.⁹ Most of the employed youth had a medium level of education and had not attended university; unemployed youth had a similar profile. The unemployed youth are most likely those who have attended VET school and are unable to find work with the skills they had available to them; pupils who graduate from grammar schools (gymnasias) are likely to continue their studies at university.

1.1.4. Labour market performance indicators

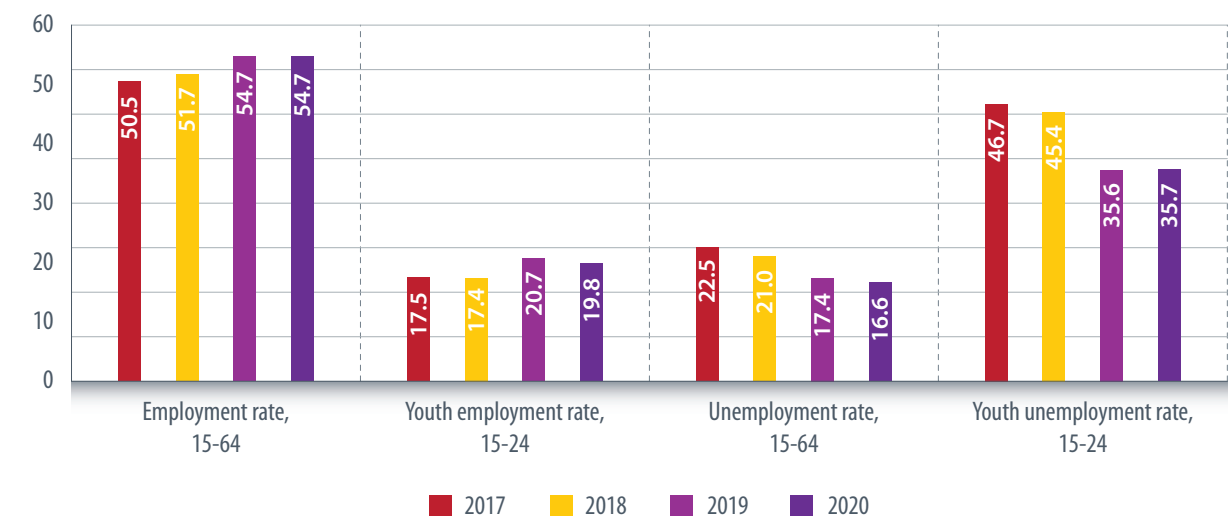
The youth employment rate increased by more than three percentage points over the three years from 2017-2019, although it is still less

than one third of the overall 15-64 age group; in 2019 it was just 20.7% (up from 17.5% in 2017), and far below the overall employment rate of 54.7%, itself a low number (see Figure 2). The employment rate is far higher for young men than for young women; in 2019 it was 25.4% for men and 15.8% for women.¹⁰ The highly educated had a higher employment rate than the medium educated (49.4% versus 30.6%), while few low-educated young people had a job, with an employment rate of just 4.7%. Consequently, in North Macedonia, the risk of not finding employment is far higher for low educated females than for high educated males.

2020 DATA UPDATE

In 2020, the employment rate for working-age population remained at the same level as in 2019 at 54.7%, while the unemployment rate decreased to 16.6% compared to 17.4% in 2019). In 2020, the youth employment rate decreased to 19.8% (compared to 20.7% in 2019), while the youth unemployment rate slightly increased to 35.7% after three years of a declining trend (35.6% in 2019).

Figure 2: Labour market performance indicators, North Macedonia 2017-2020 (%)



Source: [Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project

The high levels of youth unemployment place North Macedonia as one of the least successful labour market performers in the Western Balkans. Youth unemployment has slowly but steadily declined in recent years, dropping by over 12 percentage points between 2015 and the first quarter of 2020, to 34.9%, largely on account of emigration, but also supported by the government's Youth Guarantee scheme. Low-educated women are the most affected by youth unemployment, albeit in absolute numbers they are a small share. Differences in youth unemployment rates by gender,

educational level and field of specialisation persist even after controlling for differences in other characteristics. Youth unemployment (15-29 years) in 2019 was higher among women than among men (32.5% vs. 28.6% of the active young population).

1.1.5. Self-employment, family workers and entrepreneurs

Hardly any (1.5%) young people were identified as self-employed in the 2019 Labour Force

⁹ MAKSTAT Labour Force Survey 2019, online data

¹⁰ MAKSTAT Labour Force Survey online data.

Survey, working on their own account as a sole trader.¹¹ In contrast, more than one in ten (13.6%) young people worked as unpaid family members, with an especially high proportion of young men; more than one quarter (26.6%) of all male employees held this role. This suggests that the NEET category (neither in employment, nor in education and training), should be expanded to take into account these unpaid family workers. On the other hand, there were a number of young people who were working as “employers”, i.e., had set up their own business as entrepreneurs and were employing others. The Labour Force Survey identifies 604 young people holding this employment status, mostly young men (540 men), accounting for 1.9% of all people in employment.

1.1.6. Precarious employment

When young people do find work, it is often in precarious jobs that are either part-time, temporary or both. In North Macedonia, although few young people work on a part-time basis, temporary contracts are common with more than one third (34.7%) having a temporary job (see Figures A4). These forms of precarious employment are broadly based, with little difference between education levels or gender. This suggests that youth employment policy should seek to support a greater proportion of young people into permanent, more secure, job positions. Young people in these types of precarious employment have a high risk of poverty and social exclusion (Gerovska Mitev, 2020).

1.1.7. Transition from education to work

Finding a stable job takes a young person on average 31 months (2.5 years) from the time of graduation. The grim prospects for youth represent a challenge, as prolonged spells of unemployment and inactivity in these early years negatively affect subsequent labour market outcomes. A longer job search period implies a lower likelihood of getting a job (Mojsoska-Blazevski, 2020). Furthermore, employees that experience a longer job search have a lower probability of being employed in a matched position, irrespective of their education level. However, youth with tertiary education are affected the least, whereas the duration of the job search affects those with only elementary education are less likely to get a matched job position than others.

Women are more likely to transition into inactivity after leaving school. After controlling for other characteristics, the expected probabilities of women entering inactivity after leaving school are considerably higher than for men. Regional disparities in youth employment are striking, with some regions showing youth employment rates considerably lower than the national average. Graduates from Science, Technology, Engineering and Mathematics (STEM) have seen significant improvements in unemployment in recent years, despite the general high levels of youth unemployment.

1.1.8. Migration

The high levels of youth unemployment can be both the cause and consequence of massive emigration of skilled youth (Petreski, 2021). Based on census data from destination economies, current emigrants from North

Macedonia constitute 25% of the population, and the number has been rising over the past 10 years, constituting an estimated 32% of the economy’s high-skilled workers. The new emigration includes many first-time migrants, mostly young people who leave to find work or study, often on a permanent basis. This also suggests that the concern about recent emigration is due to unease about the emigration of highly qualified labour and the anxiety around a “brain drain” (Ministry of Labour and Social Policy, 2019). However, more recent research has shown that emigration has been skewed towards people with a low level of education and, to a smaller but still substantial extent, people with a medium level of general education (Petreski, 2021). This largely invalidates the brain-drain hypothesis,

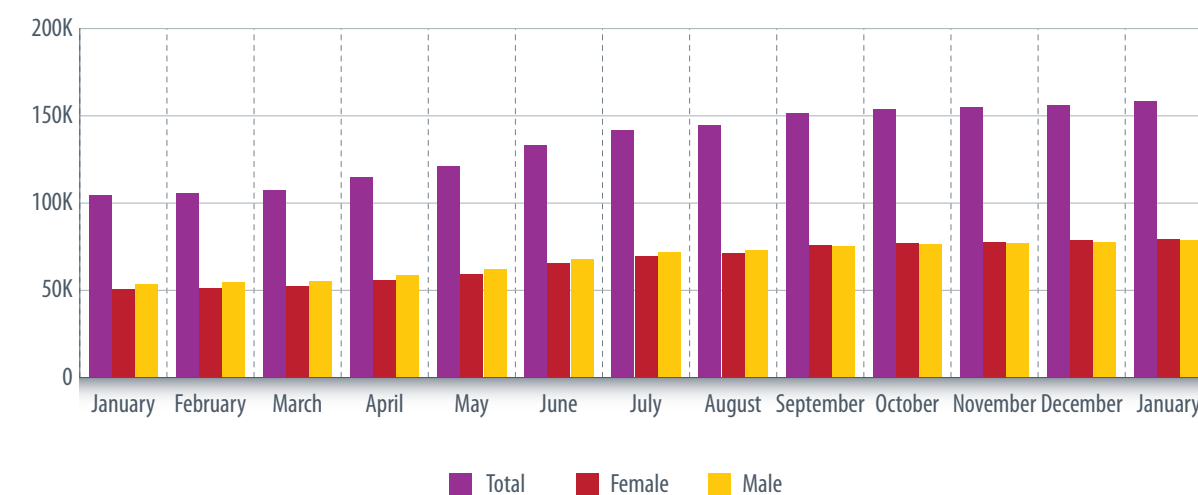
although particular occupations – most notably doctors, nurses and midwives – have exhibited intense emigration.

1.2 COVID-19 pandemic

The COVID-19 pandemic has hit the North Macedonian economy hard. After a strict lockdown in the spring, followed by a gradual reopening of the economy, social-distancing restrictions were tightened again to slow down contagion. Real GDP contracted by 4.5 percent in 2020.¹²

The number of registered jobseekers at the ESA (ESA) increased by 52% over the year, from 104,409 in January 2020 to 158,681 by January 2021.¹³

Figure 3: Registered unemployed at Employment Service Agency, January 2020 – January 2021



Source: [Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project

In response the government introduced a series of mitigation measures. These included, inter alia, subsidies on private sector wages and social security contributions for firms that maintain

employment. This was granted at MKD 14,500 per month per employee for April and May, for companies affected by the crisis or 50% of the cost of contributions for each employee.

¹² See: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#O> and EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ), https://ec.europa.eu/info/sites/default/files/economy-finance/tp048_en.pdf

¹³ RCC Employment Observatory database.

2 YOUTH EMPLOYMENT MEASURES

The Programme of the Government of Republic of North Macedonia 2020-2024

states that the government will lead a youth policy that will be the core of employment policies. The main emphasis will be placed on measures to improve young people's living standards and well-being, while young people will be assisted to find their first job.

The **Employment and Social Reform Programme 2020** (ESRP) was adopted in 2017, and a revised version has extended its application to 2022 (Ministry of Labour and Social Policy, 2020). The Ministry of Labour and Social Policy is the leading institution for the development of youth employment policies and coordinates the implementation of the ESRP. The following public institutions are involved in the design and implementation of youth employment and youth entrepreneurship policies (Government of the Republic of North Macedonia, 2017: 84):

- ▷ Ministry of Labour and Social Policy (main authority)
- ▷ Ministry of Education and Science
- ▷ Ministry of Information Society and Administration
- ▷ Ministry of Finance
- ▷ Ministry of Economy
- ▷ Employment Service Agency
- ▷ Centre for Vocational Education and Training

- ▷ Centre for Education of Adults
- ▷ Agency for Promotion of the Entrepreneurship of the Republic of North Macedonia
- ▷ Centres for Social Work

The National Strategy for the period 2016-2020¹⁶ is a key document, outlining the main challenges facing the labour market and the main strategic goals and objectives of employment policy. A special focus was placed on youth who face challenges due to high levels of unemployment, social exclusion, poverty, and discrimination. The Strategy targeted young people up to the age of 29 who are registered with the ESA for the first time. Various employment policies, measures and services for young people were implemented following a period of four months after their registration at the ESA. Preventive and curative approaches were combined and accompanied with strategies to reach out to young people with difficulties in the labour market. Finally, broad partnerships between public institutions at both central and local levels, social partners, youth and civil society organisations and the private sector have been established.

The government has dedicated increasing efforts to the employment challenges faced by young people (15-29 years old) over the last decade, and to the costs that youth unemployment imposes on the economy and society. The Youth Employment Plan developed

in 2011 is a coordinated action of government agencies, civil society organisations and the social partners.

Given the positive results of the initial Youth Employment Action Plan, the government adopted another action plan for the period 2016-2020. The **Action Plan on Youth Employment for 2016-2020**¹⁷ outlined three strategic objectives and a number of key outcomes for the employment of young people:

- ▷ Improve the matching of skills with labour market requirements by developing a comprehensive skills forecasting system; mainstream career education; improve the relevance of educational outcomes to labour market requirements; and deliver quality career counselling.
- ▷ Promote the private sector through a package of incentives including access to quality employment services for enterprises involved in infrastructure development projects; expanding business development services to assist enterprises to access funding opportunities; and extending the tax incentive system to promote youth employment.
- ▷ Ease and simplify the transition of youth to work by upgrading the human resource base in information technology; develop service lines for unemployed youth; improve the delivery of active labour market policies and introduce better services for employers.

The amount of funding for the Action Plan for Youth Employment was €30.9 million¹⁸ over five years (2016-2020). About 200,000 young people were targeted by the Action Plan interventions

which covered about 40% of the youth population in the 15-29 age group.

In the **Annual Operational Plan for Active Labour Market Programmes and Measures** several employment measures are outlined. The goal of the **Operational Programme 2020-2024** is to reduce unemployment by 3% each year, a target that has been achieved over the three years prior to the launch of the Programme. The following measures are available to young people up to 29 as one of the target groups of the Programme (Ministry of Labour and Social Policy, 2019):

- ▷ **Programme for Self-Employment:** The aim of this programme is to support the unemployed to start their own business.
- ▷ **Support for creating new jobs** to promote the employment of unemployed people in micro, small and medium enterprises, and social enterprises targeted on social goals.
- ▷ Support for the employment of people who are only **marginally involved in the labour market**.
- ▷ **Support for legal entities** to create new jobs for youth in micro, small and medium enterprises, social enterprises and civil society organisations.
- ▷ Support of employment of **disabled people**.

The Operational Plan has a budget of MKD 1.2 billion - an increase of MKD 150 million in comparison with previous year (Ministry of Labour and Social Policy, 2019). This amount is not exclusively intended for youth employment measures, but for employment measures for the whole working population.

¹⁷ http://dit.gov.mk/wp-content/uploads/2017/08/2016_Akciski-plan-za-vrabetuvanje-mladi-2016-2020-godina_MK-pv-.pdf

¹⁸ <https://national-policies.eacea.ec.europa.eu/youthwiki/chapters/republic-of-north-macedonia/17-funding-youth-policy>

¹⁶ https://eacea.ec.europa.eu/national-policies/eurydice/content/legislation-42_en

The priorities set out in the **National Youth Strategy 2016-2025** are aligned with the priorities of the EU Youth Strategy: Investing and Empowering. The main target groups are unemployed youth, NEET groups and youth with disabilities. With the new **Law on Youth Participation and Youth Policies**, the participation of youth and youth organisations is guaranteed by the fact that young people sit at the same table with the institutions and participate in making decisions for young people. For the first time, definitions are given of who is a young person, what youth work is, what youth participation is, who youth workers are, what youth infrastructure development is, what youth policies are, who youth officers are, what a youth organisation register is, and what is a research centre with a guaranteed budget. Under the **Law on Internship** young people have the opportunity to gain practical work in companies for a period of six months and to be paid for it, and for employers to recognise the qualities of staff who will be permanently employed. In the first three months interns are entitled to a compensation of MKD 5,000, and in the second three months at the minimum wage (MKD 14,500).

Through the system of **dual education** young people are provided with a good quality job, and a sustainable income straight after graduating from high school. They spend about 70% of their time in practical classes directly in companies and receive a practical qualification at the end of their education.

Young farmers receive €20,000 incentive to engage in agriculture and produce a product that is attractive to the European market; previously, this amount was €10,000.

A **Youth Allowance** has been introduced, encouraging the employment of young people after graduating from high school. It is worth MKD 3,000 per month and is paid

to young people up to 23 years of age who have completed at least secondary education. About 4,000 young people have been covered through this measure.

The **European Youth Card** has been introduced, which reduces the costs of transport, sports, education and recreation for young people. It is valid in hundreds of locations. Apart from bringing savings and lower costs, the card will improve the social life and personal development of young people. It has over 5,000 users and is constantly growing.

A personal income tax refund has been introduced for all new employees under 30 in the first two years of employment; the funds are sent directly to the account of the employee.

2.1 The Youth Guarantee Scheme

In 2018, the government introduced a Youth Guarantee modelled on the EU Youth Guarantee scheme. The measure allows young people up to the age of 29 who are neither in employment, nor in education and training (NEET) to receive a suitable job offer, to continue their education or to be involved in any of the active employment programmes and measures within a period of four months after their registration as unemployed persons at the ESA.¹⁹ It does not guarantee an actual job for young people, but it does guarantee that registered jobseekers in the NEET category will be able to participate in one of the measures provided by the ESA.

The Youth Guarantee has been a priority of the government. The Master Plan for the Youth Guarantee foresees EURO 40.7 million for implementation of measures for youth

STUDY ON YOUTH EMPLOYMENT IN THE REPUBLIC OF NORTH MACEDONIA

17

employment. The youth guarantee requires strong policy coherence and coordination across the Ministries of Labour and Social Policy, Education and Science, and Finance. The implementation plan for the pilot phase pointed to specific labour market policies and institutions that had to be adapted to meet the specific commitments of the Youth Guarantee. The Youth Guarantee is applicable to young people who are registered for the first time as unemployed job seekers. After registration, they are interviewed by a job counsellor of the ESA who profiles their employability using a control questionnaire and prepares an individual employment plan. The plan defines the steps required to enable the individual to engage with an educational or training process (not in regular education) or to be involved in any of the active employment measures or services,

to increase employment opportunities or be offered suitable employment appropriate to the individual's level of education and skills. These steps involve group and individual counselling, provision of job search assistance, motivational trainings and involvement in any measure of active labour market policy available. In 2018, the Youth Guarantee was piloted in three employment centres: Gostivar, Strumica and Skopje. In 2020-2022 the Youth Guarantee has been expanded to the whole economy but will be refocused on three less developed regions (Polog, Northeast and Southwest plus Resen, where most NEETs live). It will be supported by the IPA II programme "EU for Youth". Under the programme, 30% of all participants in the active employment programs and measures are envisaged to be young people up to 29 years of age.

Table 1: Youth Guarantee Scheme

SERVICES	EMPLOYMENT	TRAINING	INTERNSHIP
<ul style="list-style-type: none"> ▷ Professional orientation and counselling ▷ Motivational training ▷ Individual and group counselling 	<ul style="list-style-type: none"> ▷ Subsidised employment ▷ Subsidised employment for youths with disabilities ▷ Self-employment 	<ul style="list-style-type: none"> ▷ Training for known employer ▷ Training for specific skills that are deemed on the labour market ▷ Training for specific skills that are deemed by employers' labour market 	<ul style="list-style-type: none"> ▷ Internship programmes for youths under the age of 29

Source: World Bank Group, 2019, p.24

The Youth Guarantee (YG) scheme is the most comprehensive and largest programme targeted at young job seekers in North Macedonia. It is led by the Ministry of Labour and Social Policy and implemented by the Employment Service Agency and supported by the National Youth Council of North Macedonia.

The following institutions are involved in the implementation of activities of the Youth Guarantee (EACEA, 2018):

- ▷ The **Ministry of Labour and Social Policy** is responsible for coordinating and monitoring the implementation

and specific interventions included in the implementation plan of the Youth Guarantee.

- ▷ The **Ministry of Education and Science** is responsible for accelerating educational reforms already planned at primary, secondary and high level; to introduce second-chance programmes for young people and adults that need to acquire recognised qualifications to advance in the education system or to enter the labour market; to establish and upgrade the Education Information System in order to monitor the students' success, to detect early school leavers.
- ▷ The **Centre for Adult Education** is responsible for expanding the opportunities for young beneficiaries of the Youth Guarantee to return to the education system and recognised qualifications.
- ▷ The **Centre for Vocational Education and Training** is authorised to develop standards of occupations and vocational courses and programmes for completion of education.
- ▷ The **Bureau for the Development of Education** is authorised to develop general education programmes in a short form for the needs of the implementation of the Youth Guarantee.
- ▷ The **Ministry of Local Self-Government** is responsible for coordinating the involvement of local authorities in the implementation of the Youth Guarantee-targeted interventions targeting young NEETs at the local level.
- ▷ The **Employment Service Agency (ESA)** is responsible for collecting and disseminating information on the labour market; employment counselling

and career guidance; setting up a job and administering passive and active programmes on the labour market. Within the Youth Guarantee, ESA is responsible for providing activation services and measures for integrating young people into the labour market (15-29) that will be registered in the Youth Guarantee.

In 2019, more than 20,000 young people were covered by the Youth Guarantee, of whom 52% were women. More than 6,000 young people were employed through the programme. The measure has had a positive effect on vulnerable groups, such as Roma, of whom 1,457 were included in the Youth Guarantee, with 212 of them finding a job at the latest count. In the first six months of 2020, 8,173 people were trained, of whom 1,971 became employed.

In May 2019, the ILO conducted a monitoring mission to assess the results of the pilot phase and recommended that the **Youth Guarantee Implementation Plan 2020-2022** should be extended to cover the entire economy. The key lessons learned from the experience with the Youth Guarantee were identified (Kovacs, 2019). This study found that, similarly to EU Member States, progress has been slower than expected with burdensome procedures for amending the law playing a role. The main danger to a successful Youth Guarantee is the practice of "creaming" whereby the measures are applied only to the most employable youth and not to those who are most detached from the labour market and not only the most employable youth. To deal with this risk, government has relied on well-established youth organisations to identify these young people who are hard to reach. However, this may prove to be a daunting task, since youth who need to be most supported on an activation path may be burdened by overwhelming personal circumstances such as substance abuse and homelessness.

3 MAPPING THE SITUATION OF NON-REGISTERED NEETS IN NORTH MACEDONIA

The NEET rate is the share of respective age group of young people who are neither in employment, nor in education and training. The age group are defined with reference to the group of young people aged 15-24 or the group aged 15-29, depending on context. Thus, NEETs are either (i) not employed (i.e., unemployed or inactive according to the International Labour Organization's/ILO definition) or (b) have not received any formal nor non-formal education or training in the four weeks preceding the respective Labour Force Survey.

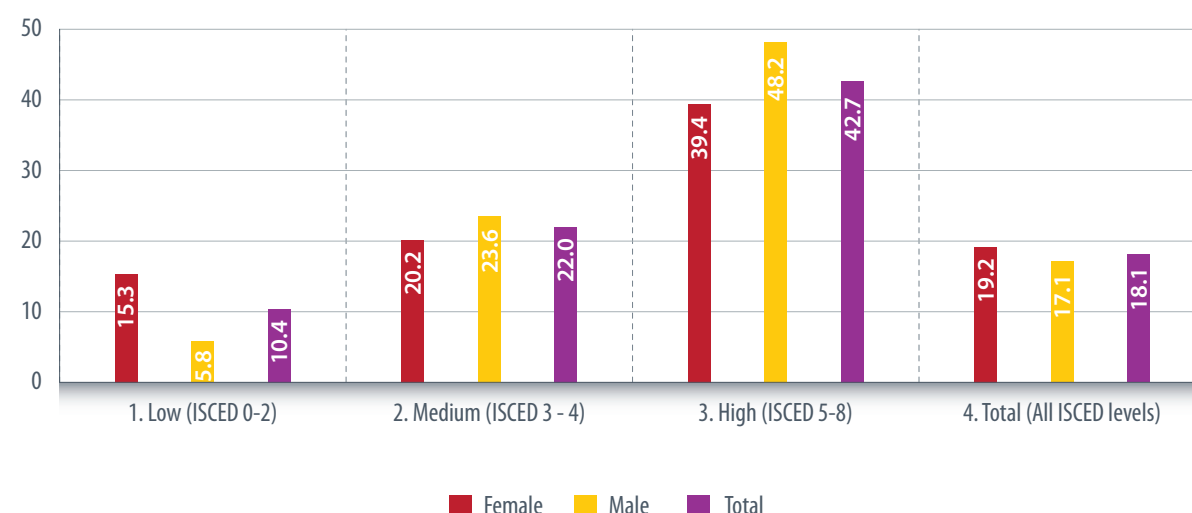
The poor labour market situation of young people in North Macedonia is reflected in the high NEET rate (the share of NEETs in the respective population age group). In 2019, the NEET rate for 15-24 year olds was 18.1% and in 2019 for the age group 15-29 it was 24.5% (see Figures 4 and 5). Since the youth cohort of 15-24 years was about 250,000 in that year, this implies that the total number of NEETs is 45,250; for the 15-29 cohort of 412,000, the same calculation gives a total of 100,940 NEETs.

The NEET rate varies by gender and education level as well as the age group which is considered. For the 15-24 age group the female rate is higher than the male rate (19.2% and 17.1% respectively). Similarly, for the 15-29 age group the female NEET rate is higher than the male rate (28.3% and 20.9% respectively).

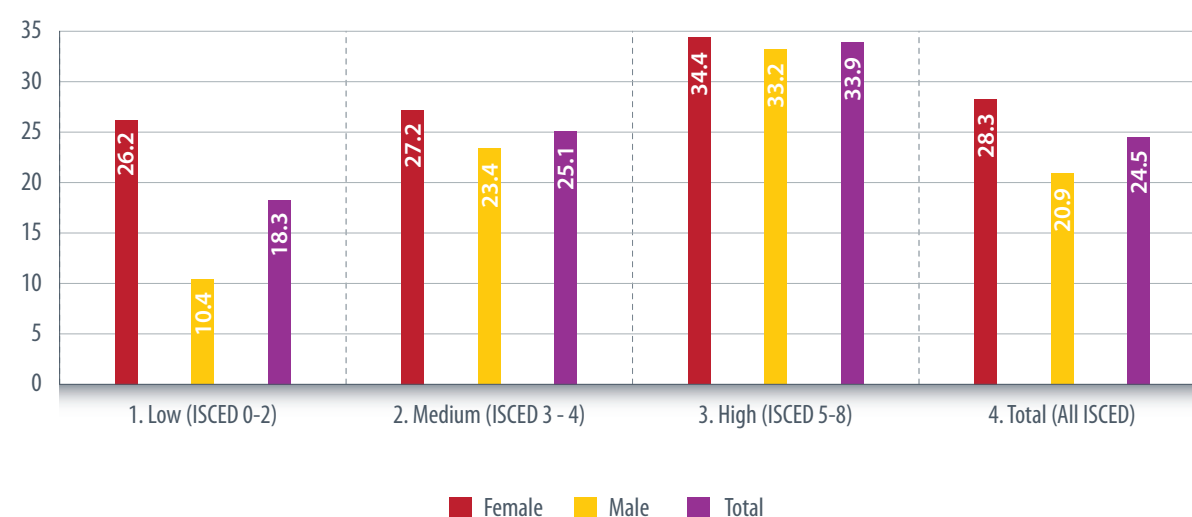
NEETs are a diverse group, including those who are seeking work but unemployed, and those who are inactive for various reasons including having family responsibilities. The unemployment rate of NEETs in both age groups has been falling for a number of years, reaching 12.7% for the 15-29 age group, and 8.9% for the 15-24 age group. In contrast the proportions of the NEET age groups who are inactive have risen over the decade albeit falling slightly over recent years, to reach 9.2% in 2019 for the 15-24 age group and 11.8% for the 15-29 age group.²⁰ The NEET rate has been fairly steady over the last decade but fell by 5 to 6 percentage points in 2019 following the introduction of the pilot Youth Guarantee.²¹

20 Eurostat online data

21 Eurostat online data

Figure 4: NEET rate by gender and education level, 15-24 years, North Macedonia 2019 (%)

Source: Eurostat online database variable [EDAT_LFSE_21]

Figure 5: NEET rate by gender and education level, 15-29 years, North Macedonia 2019 (%)

Source: Eurostat online database variable [EDAT_LFSE_21]

Some of these inactive NEETs have no intention of working, a proportion that has held steady over the decade at 5.4% in 2019 for the 15-24 age group and 6.6% for the 15-29 age group. Due to this, latter “hard core” of those unwilling to work at all and do not wish to engage with

the labour market, policies should focus on those unemployed and inactive young persons who would “like to work” whether currently seeking employment or not, a proportion which amounted in 2019 to 12.7% of 15-24 age group and 17.9% of the 15-29 age group.²²

3.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

In addressing the challenges related to youth employment, it will be crucial to further promote and strengthen the local approach and the involvement and active participation of all relevant stakeholders at local level. The capacities of institutions at local level should be strengthened, (including local self-government units, local social partners, Local Economic and Social Councils, and youth organisations) to design, implement and monitor targeted and tailored programmes and measures that would better correspond to the needs of local NEET youth to approach the labour market. With this approach it should be possible to improve the situation of young people and to contribute to increasing both the quantity and quality, of youth employment at the local level (Ministry of Labour and Social Policy, 2019: 36).

3.2 Tailored outreach mechanisms to identify and assist the most vulnerable NEET groups

Lessons should be drawn from international experience especially those in the EU (Santos-Brien, 2018). For unregistered NEETs, dedicated youth outreach workers can be trained and deployed to identify and inform the marginalised youth, building up relationships with them over time. Mobile units of the Employment Service Agency could be deployed, especially in remote rural areas. A survey of marginalised youth could be carried out by a polling company to provide more detailed and granular information about the characteristics of different NEET groups and their social and economic situation, problem areas and intentions to engage with the labour market.

In the EU, 5% of young people who are NEETs have no intention of accessing the labour market, while others are inactive, but would

Figure 6: The Youth Guarantee outreach process

Source: (Swiss Agency for Development and Cooperation SDC, 2019), p. 5.

like to find work but do not know how to do so. It would thus be important to better understand the marginalised NEET groups so that support can be offered where appropriate and likely to achieve success. For some ethnic groups such as Roma, a mediator service can be especially important to engage with displaced and marginalised young people. Ex-prisoners and ex-offenders should be followed up by the

probation service and offered enhanced support and training to re-engage in the labour market. Young women who have children but wish to re-engage in the labour market are another group that should be offered enhanced support by the public employment service, in coordination with women's associations and NGOs and local community groups.

4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT PROGRAMMES

The **Employment Service Agency (ESA)** and the **Ministry of Labour and Social Policy** are responsible institutions for monitoring the implementation of the active measures for employment, in order to provide accurate information about their success. The source of funding for the youth employment measures and programmes is from the government budget for ESA (which is under the Ministry of Labour and Social Policy). In addition to its headquarters in Skopje, the ESA has 7 regional offices and 22 local offices. In total it has 414 staff to cope with a caseload of 245,643 registered jobseekers (the number of youth jobseekers is not known). Therefore, the crude caseload per staff member is 593. This is far in excess of the average caseload in EU public employment services of 140, and even above that in the regional peer countries of Croatia (169) and Slovenia (137). This suggests the need for a major expansion of employment agency staff, especially in the Job Guarantee, leads to a much larger number of young NEETs who come forward to register with the agency.

The ILO estimated that the introduction of a Youth Guarantee policy framework modelled on the one implemented in the EU would increase the stock of young unemployed eligible to receive a quality offer by 30%. Furthermore, if even only half of those outside the labour

market (but willing to work) would seek support at the ESA the agency would face an increase of about 70% of its workload compared to the baseline. While the ESA is a strong employment service, with qualified staff and adequate tools and procedures in place, extending coverage by this amount would require not only additional human and financial resources, but also a change in the service delivery system. The capacity of the ESA should therefore be strengthened by recruiting additional staff, especially in light of the increased and diversified workload created by the newly adopted policy measures. The criteria for participating in active labour market policies should be reviewed to ensure increased participation of vulnerable people, including Roma. (European Commission, 2020, p. 83)

The ESA has been making continuing efforts to increase the number, diversity, scope and quality of the services it provides to its clients, unemployed persons and employers. The ESA should further strengthen its own physical, IT and human capacities through activities to strengthen further the capacity to monitor and anticipate the labour market trends, planning, designing and implementing employment measures, improving the monitoring and evaluation and strengthening inter-institutional cooperation.

5 ROADMAP TO YOUTH EMPLOYMENT IN NORTH MACEDONIA

The implementation of the Youth Guarantee in North Macedonia is a stepping stone in the right direction. It now needs to be developed further in line with the aims and ambitions of the EU Enhanced Youth Guarantee (EC 2020).²³ Strong cooperation and engagement are expected from government institutions, social partners, civil society organisations, as well as numerous international organisations, donors and development and support agencies, which would provide great contribution also to the practical implementation.

Several additional steps should be taken to improve the operation of the Youth Guarantee programme. These include the simplification of administrative barriers and providing the largest possible budget. In addition, several other changes are needed. The government needs to be more innovative and proactive in addressing the reasons behind long-term unemployment, offering better programmes for the inclusion of NEETs and vulnerable youth in the market.

For the success of the Youth Guarantee it is important that policymakers and front-line staff get to know young people and inform them what the youth guarantee is and how they can be a part of it. There is a need for better promotion of the active measures that are in place through success stories and public events in order to increase the motivation of youth and to restore their trust in the institutions.

²³ See also Duell, N. (2018)

Regular analysis and updating of the existing measures are also necessary in order to lead to jobs that will meet on the one hand the needs of the labour market, and on the other hand the interests of youth and their level of acquired knowledge and qualifications.

In addition, key reforms need to be costed and enacted before extending the coverage of the Youth Guarantee, and reliance on external funding to carry out these reforms should be avoided.

This section presents the roadmap for Youth Guarantee in North Macedonia, and while this roadmap is an important analytical input, this roadmap cannot replace or prejudice the plans for enhancement of Youth Guarantee Implementation Plan in North Macedonia.

5.1 An enhanced Youth Guarantee for North Macedonia

The Youth Study Comparative Chapter presented key elements of the EU Youth Guarantee, including recommendations on phases and stages stemming from the recommendation of the Council of the European Union (2020) and the European Commission's Economic Investment

Plan (European Commission, 2020a, 2020b), respectively (for full details, please consult the Comparative Chapter). Thus, while this section of the Annex for North Macedonia may contain some repetitive material to the Comparative Chapter, its purpose is to contextualize these recommendations to the North Macedonia context.

As noted in the Comparative Chapter, it is important to distinguish between the **chronological, implementation stages** of the Youth Guarantee (of the European Commission's Economic and Investment Plan for the Western Balkans) and the **thematic policy phases** of the Youth Guarantee (of the European Council). The Economic and Investment Plan for the Western Balkans for the Flagship 10, Youth Guarantee proposes four **chronological-implementation stages**, with a zero stage of awareness raising, the **four chronological-implementation stages** with zero stage are:

- ▷ **Stage 0: Awareness raising, Political Commitment and Creation of a Task Force**
- ▷ **Stage 1: Youth Guarantee Implementation Plans**
- ▷ **Stage 2: Preparatory work--** capacity building of stakeholders and authorities, resources made available, mechanism and systems enhanced, feasibility and technical studies
- ▷ **Stage 3: Pilot phase--** to test the measures that have been planned on the new intake of NEETs who have been identified through the outreach programme in a selected number of local authority areas
- ▷ **Stage 4: Rollout to full implementation** – based on the evaluation of the pilot phase, modifications to be made to the Youth Guarantee plan, and commence with its full implementation

For the **thematic-policy phases according to the European Council recommendation**, following four phases are recommended:

- ▷ Phase 1: Mapping
- ▷ Phase 2: Outreach
- ▷ Phase 3: Preparation
- ▷ Phase 4: Offer (of an opportunity in employment, education or training).

with three crosscutting enablers:

- ▷ Mobilising partnerships
- ▷ Improving the data collection and monitoring of schemes
- ▷ Making full and optimal use of funds

The first stages in designing and implementing the Youth Guarantee in North Macedonia have already been taken by the government, with the assistance of the ILO. The approach to date has generated much experience in the pilot project and the follow on project in three municipalities as described above. The Ministry of Labour and Social Policy has acted as the Youth Guarantee Coordinator and has gained much experience in its localised design features and operational details. The Youth Guarantee has accompanied a substantial decline in youth unemployment and a 5% drop in the NEET rate. However, both the youth unemployment rate and the NEET rate remain elevated. In 2019 there were still 45,000 NEETs in the 15-24 age group and 116,000 NEETs in the 15-29 age group. Following the COVID-19 hit to the economy, it is likely that these numbers have only risen. The Youth Guarantee therefore needs to be scaled up and fully funded.

Given that North Macedonia has already undertaken certain stages related to the Youth Guarantee implementation (stage 0, stage 1 and stage 3 of the chronological, implementation stages, recommended by the Economic and Investment Plan for the Western Balkans for the

Flagship 10, Youth Guarantee) and is now facing stage 4 - full rollout. In this Annex, focus will be provided on recommendations stemming from the Guidance from the Council of the European Union (2020) and its four phases: mapping, outreach, preparation and offer. Section 5.2 will therefore provide recommendations related to the **thematic-policy design phases** of the Youth Guarantee, tailored to the North Macedonia context.

5.2 Youth Guarantee- Thematic, Policy Phases, according the Council recommendation of 30 October 2020

5.2.1 Phase 1: Mapping

The ESA should further develop its mapping systems, early warning and tracking capabilities to identify young people at risk of unemployment or inactivity. Rapid research should be carried out to identify the different needs of the various categories of young people, including those already at school, early school leavers without a job or inactive, graduates from secondary school level who face difficulties entering the labour market as first-time jobseekers and those who are either long-term unemployed or inactive but would like to work, and university graduates up to the age of 29 who do not have a job, especially young women graduates without work or who would like to start their own business but face financial or other barriers to doing so.

In order to implement the Youth Guarantee, the ESA will need to forge more intensive partnerships with the business sector, youth organisations, municipalities, and private job agencies. The ESA should enhance collaboration with businesses and CSOs to maximise effective identification of needs of the labour market.

5.2.2 Phase 2: Outreach

In order to get an offer of employment, education or training with the Youth Guarantee framework, a young person among the eligible categories is obliged to register with the ESA. The capacity of the ESA to reach out to encourage greater numbers of young people to register for the Youth Guarantee needs to be further developed. Outreach programmes should be developed for the hard-to reach NEETs as described above in section 3.2. These may be young people with low skills who have only completed primary compulsory education, or youth from marginalised groups. An Outreach Strategy should be developed to identify the best way to involve partnerships between the social services, employment services, community groups and youth NGOs to reach out to marginalised NEET groups.

5.2.3. Phase 3: Preparation

This phase includes activation measures including prevention measures to tackle early leaving from education and training by disadvantaged youth, strengthening of the existing measures, and more intensive measures of active employment policy for less advantaged young people such as NEETs with low and medium levels of education.

The Youth Guarantee should ensure that all young people are supported by the ESA to

access the labour market through the provision of high-quality public employment services, including the provision of labour market information on vacancies, and improved career counselling and guidance services, as well as tools for independent career management. In order to implement the Youth Guarantee, the ESA will need to forge intensive partnerships with the business sector, youth organisations, Centres for Social Work, local self-government authorities, and private job agencies. Current prevention measures to tackle early school leaving by disadvantaged youth should be scaled up. For more advantaged young people, such as graduates from school or university, measures of job referral procedures and career counselling and mentoring are already available and should be strengthened. For less advantaged young people such as vulnerable NEETs, more intensive measures of active employment policy should be provided.

5.2.4 Phase 4: Offer

The current offer from the ESA to support registered youth into the labour market have been designed and implemented in the pilot phase of the Youth Guarantee which has been introduced in North Macedonia. Many young people have been assisted into work by a mix of youth labour market measures. However, these measures have not yet been sufficiently robust to thoroughly engage with the full extent of social exclusion in the youth labour market. In this section we take a closer look at the main sets of measures that have been implemented and consider options for enhancement.

5.2.4.1 Employment including self-employment

Creating jobs

Job creation schemes should continue to be based on wage subsidies for private sector employers offering low wage jobs for young jobseekers who have been registered with ESA and who have only primary education qualifications or less or are secondary VET school graduates. Thus far, 1,412 jobseekers have been employed (out of which 768 are up to 29 years) under the wage subsidies measure; 621 jobseekers have been employed (out of which 387 are up to 29 years) with grants for employment. This has not been sufficient to make a significant inroad into the large scale of youth unemployment and inactivity. Substantially more funds should be devoted to the wage subsidy programme which should be targeted at employers who hire young workers in low-wage sectors. It should be made available to all youth who have been registered with the ESA, irrespective of their educational achievement. The wage subsidy should be a flat rate subsidy equivalent to the minimum wage, thus eliminating the distorting effect of minimum wages on the demand for labour and increasing youth labour demand.²⁴ The concept of a wage subsidy has been implemented in response to the COVID-19 pandemic (see above). This should be extended and made into a permanent support within the Youth Guarantee for young employees in eligible firms that cooperate with the ESA and the tax authorities. It should be applicable to low-wage sectors and businesses and paid at the minimum wage. By expanding the demand for labour, it would create new jobs for young people.

In addition, the ESA has supported jobseekers into community and public works programmes.



²⁴ For the economic argument in support of wage subsidies as an efficient way to create jobs and prevent poverty among low wage workers see Phelps (1997).

To date, 610 jobseekers have been employed in community services and 419 (87 of whom are up to 29 years) employed in projects related to infrastructure and protection of the environment. These could be expanded with the involvement of local communities and institutions of local self-government.

Providing entrepreneurial and self-employment opportunities

The development of youth entrepreneurship should be supported by the development of business incubator services and financial support to youth entrepreneurs. The ESA support for self-employment has been successfully completed by 1,535 jobseekers (out of signed 2,148). Of them, 583 (out of 805) were up to 29 years; 547 of them developed a business plan and 482 of them registered a company. Self-employment has been supported through loans and contracts have been signed with 141 persons, of whom 41 are youth up to 29 years old. This has been supplemented with 35 credits for employment to small enterprises of which 14 were for persons up to 29 years old.

Youth entrepreneur networks, mentoring schemes and business incubators especially for young women and marginalised groups should be established. The financial institutions should be encouraged to engage with the European Bank for Reconstruction and Development to finance programmes to enhance youth entrepreneurship and youth skills development in enterprises through micro-loans, vocational and skills development and business advice in line with the EBRD Economic Inclusion Strategy.²⁵ Youth entrepreneurship programmes should be developed and supported by training and mentoring by professional entrepreneurs, through partnerships between the public

²⁵ See: <https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html>

²⁶ See: <https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html>

²⁷ <http://www.wbedif.eu/about-wbedif/>

employment services, chambers of commerce and other employer associations. Support for social entrepreneurs to establish business incubators for youth entrepreneurs, with a focus on women, NEETs and marginalised groups should be provided. These should be partnered with universities to provide training in finance and management skills. Authorities should engage with the European Bank for Reconstruction and Development (EBRD) to finance programmes for youth entrepreneurship through loans, financial support for vocational skills development and business advice in line with the EBRD Economic Inclusion Strategy.²⁶ The Western Balkan Enterprise Development and Innovation Facility²⁷ (WB EDIF) should be engaged to provide support, advisory services, and low-cost finance for youth enterprise start-ups. The IPA III funding can support the expansion and enhancement of the Youth Guarantee. In addition, IPA III can finance employment creation and entrepreneurship programmes. Moreover, of relevance is the Western Balkan Investment Framework in the context of funding opportunities.

5.2.4.2 Apprenticeship and work-based learning

While training is supported through the current version of the Youth Guarantee programme, this support should be extended much more widely among vocational (VET) schools. The quality of education provision at VET schools should be improved, including through provision of adequate teaching materials and infrastructure and equipment for practical instruction. This is particularly important since the OECD PISA 2018 study demonstrated that a lack of teaching materials is holding back learning

opportunities for 65.3% of school pupils in North Macedonia and a lack of infrastructure and equipment is holding back learning opportunities for 36.5% of school pupils.²⁸ These schools should be externally evaluated, following detailed self-evaluation reports. VET schools should be provided with updated infrastructure and especially with adequate up-to-date computer equipment and high-speed broadband connections. VET teachers should be supported to undergo continued professional development. The teacher training for VET teachers should be reviewed and improved. In addition, VET schools should be supported to develop close links with the business sector for the purpose of upgrading the curriculum and developing partnerships to support work-based learning through work experience programmes. Improved career guidance and counselling services should be developed within VET schools to assist their graduates' transition from school to work. The ESA has provided training at a signed-up employer. Out of 94 jobseekers who signed a contract for training, 47 are up to 29 years. Trainings for professional qualifications involved 96 clients (37 up to 29 years); trainings for bakers, confectionaries, locksmiths and mechanics were successfully finished by 92 jobseekers (37 up to 29 years), additionally, 542 jobseekers (187 up to 29 years) finished trainings for other requested/published vocations. In addition, 193 jobseekers up to 34 years were involved in training for IT skills; 60 jobseekers up to 34 years were trained for advanced IT skills with co-financing; 624 (444 up to 29) were trained for basic IT skills. These trainings and internship programmes need to be upgraded and expanded.

The ESA also organised paid internships for 1,521 jobseekers up to 29 years of age. This is currently aimed at university graduates, but should be

²⁸ See: <https://www.oecd.org/pisa/publications/pisa-2018-results.htm>

extended to cover all school leavers and NEETs through the provision of work experience. The programme should be expanded into a fully funded apprenticeship programme, which should be supported by partnerships between schools and the business sector and through business-university collaboration agreements to ensure the quality of the training and work experience that is provided. Funding for the apprenticeship programme should be based on an apprenticeship levy (for example at 0.5% of gross turnover) on medium sized and larger companies, who would in turn be eligible for support to implement apprenticeship programmes.

5.2.4.3 Career guidance and job search assistance

The ESA provides a career guidance services to young people as an integral part of the existing Youth Guarantee. This should be intensified when the jobseeker reaches the three-month mark in the job search. At this point, the programme participant should be offered a more intensive service and additional measures of support within the Youth Guarantee scheme. The intensified services should include in-depth career counselling or enrolment in a group workshops devoted to learning the career management skills, which would be provided by specialised private consultants. Participants could be offered a voucher to cover the cost of such workshops and enabled to select the workshop of their choice. The measures should also include more intensive incentives for employers (employment subsidies, co-financed traineeship in certain sectors, mentoring schemes) to encourage them to provide a suitable offer of employment or training to the eligible young people from the various target groups. Young jobseekers should also

be provided with a similar set of incentives to start up their own individual business or to join together to start up cooperative businesses.

5.2.5 Youth Guarantee-crosscutting enablers

Effective use of the three cross-cutting enablers is key for successfully implementing the Youth Guarantee scheme and achieving the delivery of quality offers to young people.

5.3.5.1 Mobilising partnerships

Policies to address youth employment have a cross-cutting nature and should be designed and implemented jointly by governmental institutions at all levels, the private sector, the business sector, NGOs and youth associations. Businesses should be involved in the design of youth employment policies as they can define labour market demands and could hire the unemployed youth and NEETs. Collaboration and coordination with civil society organisations should be enhanced by including (in a transparent way) the relevant/interested ones in working groups, field activities and awareness raising activities.

5.3.5.2 Improving the data collection and monitoring of schemes

Monitoring and evaluation: All youth labour market measures, employment programmes and special programmes for NEETs including outreach programmes should be regularly monitored and evaluated. The Youth Guarantee implementation plan should be regularly monitored by a working group in which representatives of all sectors responsible for the implementation of the North Macedonia Youth Guarantee would participate. The providers of the measures would report to the working group on a regular basis on the implementation of the measures under the Youth Guarantee scheme.

5.3.5.3 Making full and optimal use of funds

North Macedonia needs to dedicate adequate own resources to the implementation of the policy measures put forward by the Youth Guarantee in the full implementation stage. The EU funding through IPA III can support the full implementation of the Youth Guarantee, in line with the European Commission's Economic and Investment Plan for the Western Balkans, Flagship 10, Youth Guarantee.

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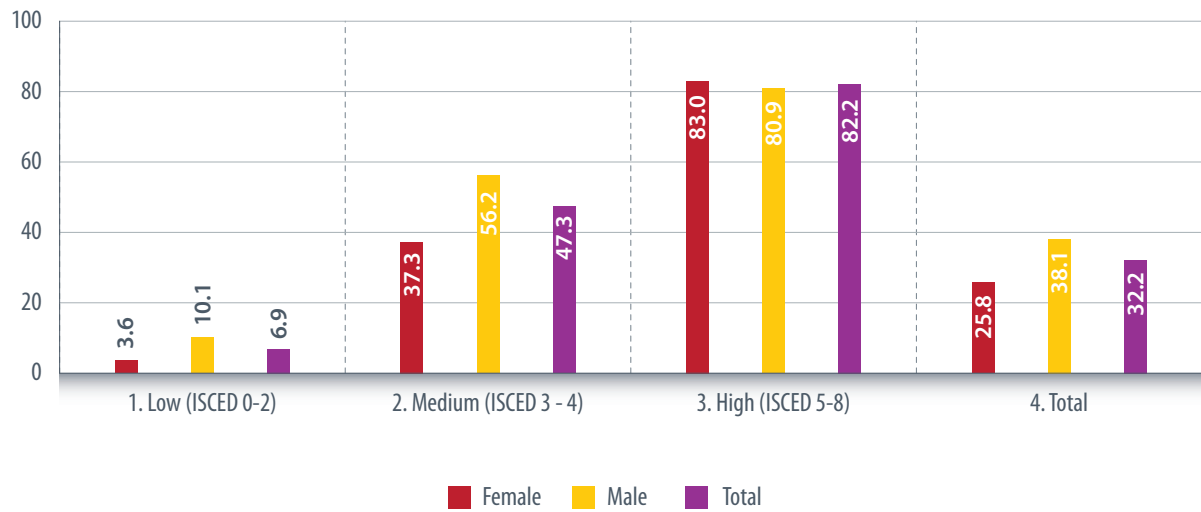
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7 APPENDIX

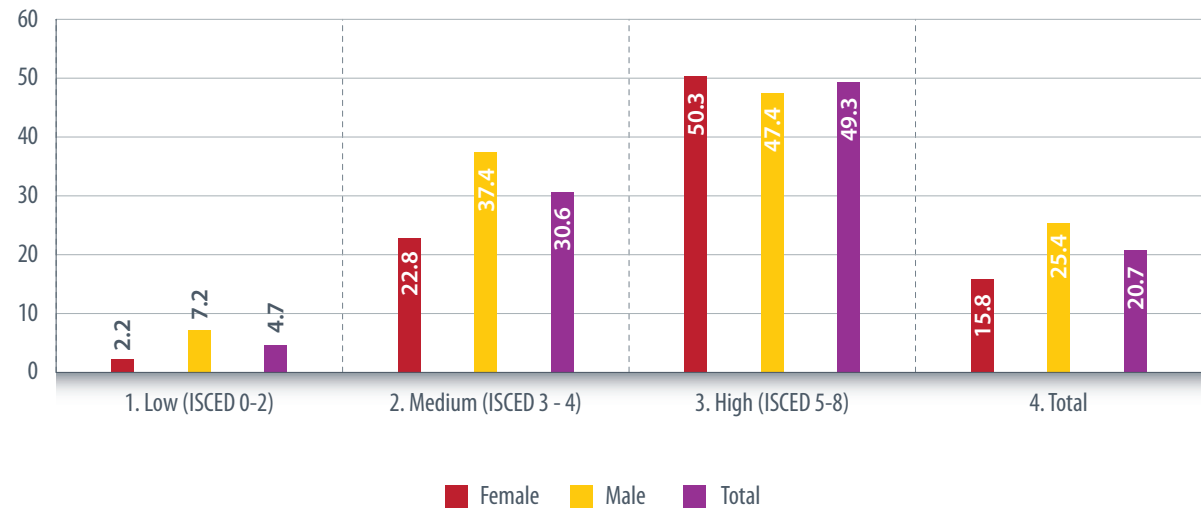
This appendix shows the main labour market performance indicators for 15-24 years age group in North Macedonia in 2019. The Figures are constructed from data in the Eurostat online database.

Figure A1: Labour force participation rate by gender and education level, 15-24 years, North Macedonia 2019 (%)



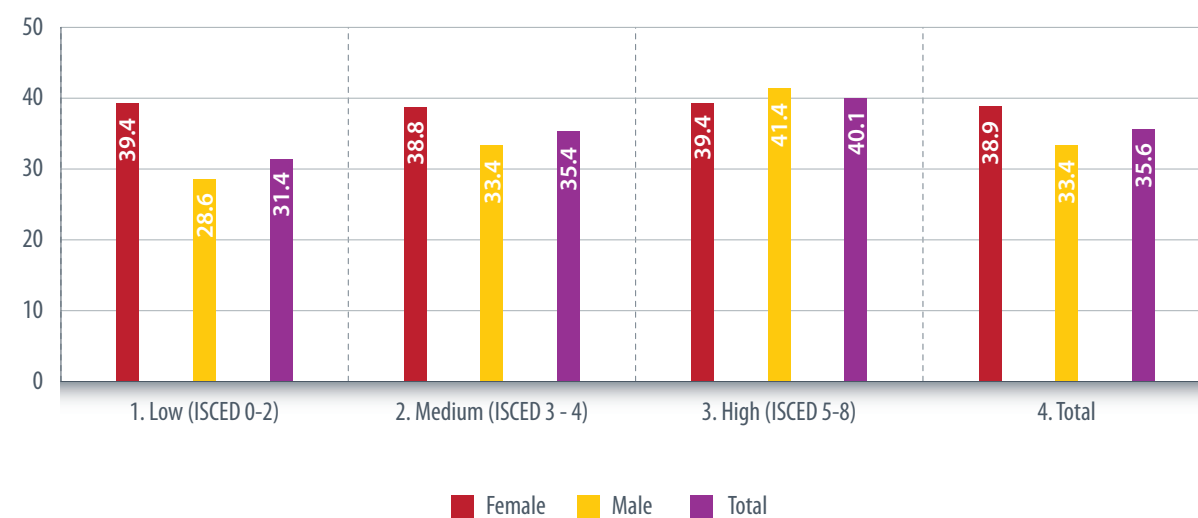
Source: Eurostat online database

Figure A2: Employment rate by gender and education level, 15-24 years, North Macedonia 2019 (%)



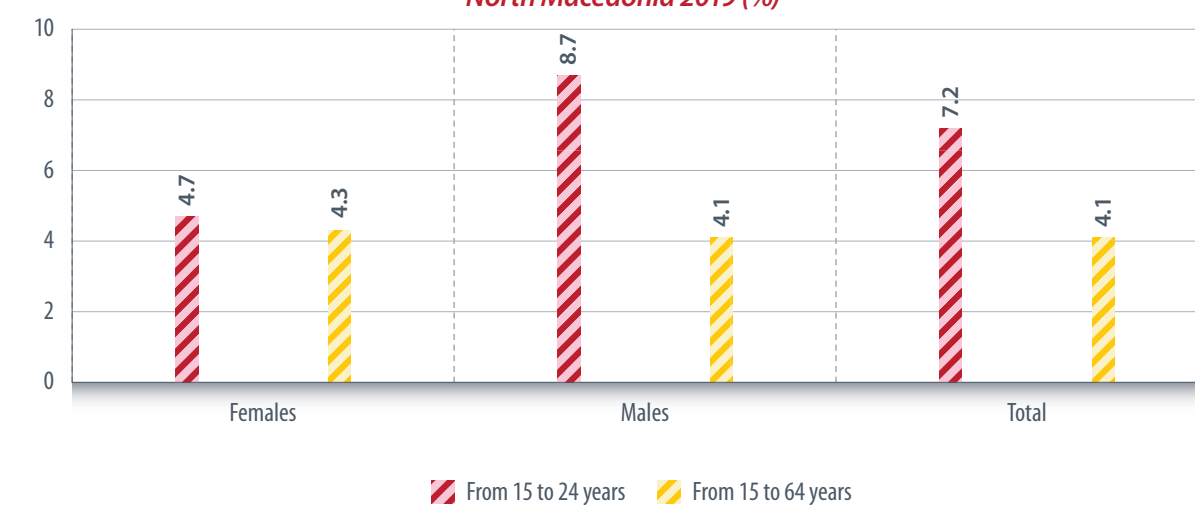
Source: Eurostat online database

Figure A3: Unemployment rate by gender and education level, 15-24 years, North Macedonia 2019 (%)



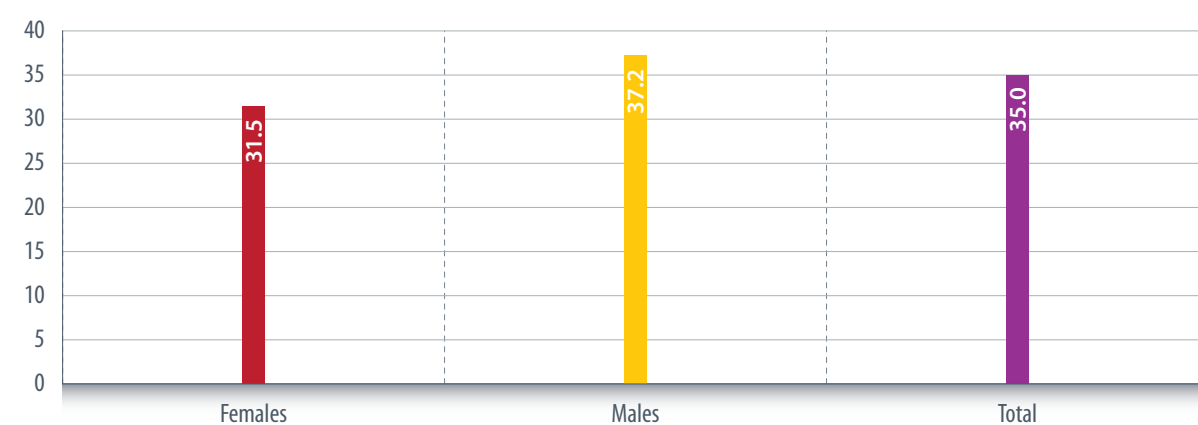
Source: Eurostat online database

Figure A5: Part-time employment share of all employment by gender, 15-24 years, North Macedonia 2019 (%)



Source: Eurostat online database

Figure A4: Temporary employees share to all employees by gender, 15-24 years, North Macedonia 2019 (%)



Source: Eurostat online database

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