



GOVERNMENT OF THE REPUBLIC OF MACEDONIA

MINISTRY OF LABOUR AND SOCIAL POLICY

**EMPLOYMENT AND SOCIAL
REFORM PROGRAMME
2020**

DRAFT: 1.11.2016

Skopje, November 2016

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LIST OF ACRONYMS

AE	Adult Education
AFIEPRM	Agency for Foreign Investments and Export Promotion of the Republic Macedonia
ALMM	Active Labour Market Measures
APERM	Agency for Promotion of Entrepreneurship of the Republic of Macedonia
BAE	Board for Accreditation and Evaluation in Higher Education
BDE	Bureau for Development of Education
CAE	Center for Adult Education
CoE	Council of Europe
CPD	Commission for Protection against Discrimination
CRM	Central Register of the Republic of Macedonia
DDPELMC	Directorate for Development and Promotion of Education in Languages of the Members of the Communities
EBRD	European Bank for Reconstruction and Development
ECDC	Early Childhood Development Centre
ERP	Economic Reform Programme
ESARM	Employment Service Agency of the Republic of Macedonia
ESC	Economic and Social Council
ESRP	Employment and Social Reform Programme
ETF	European Training Foundation
EU	European Union
EU 2020	EU Strategy "Europe 2020"
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
GRM	Government of the Republic of Macedonia
HIFM	Health Insurance Fund of Macedonia
ICT	Information and Communication Technologies
IEP	Individual Employment Plan
ILO	International Labour Organization
IPA	Instrument for Pre-Accession Assistance
IPA I	IPA Financial Perspective 2007-2013
IPA II	IPA Financial Perspective 2014-2020
ISA	Institute for Social Activities
LESC	Local Economic and Social Council
LFS	Labour Force Survey
LLL	Life-Long Learning
LSGU	Local Self-Government Unit(s)
MAPAS	Agency for Supervision of Fully Funded Pension Insurance
MBDP	Macedonian Bank for Development Promotion
ME	Ministry of Economy
MES	Ministry of Education and Science
MF	Ministry of Finance
MH	Ministry of Health
MISA	Ministry of Information Society and Administration
MLSP	Ministry of Labour and Social Policy
MTC	Ministry of Transport and Communications
NAEPPM	National Agency for European Educational Programmes and Mobility
NAPE	National Action Plan for Employment
NBRM	National Bank of the Republic of Macedonia

NECC	National Entrepreneurship and Competitiveness Council
NES	National Employment Strategy
NFE	Non-Formal Education
NGO	Non-Governmental organization
NQF	National Qualifications Framework
OSCE	Organization for Security and Co-operation in Europe
PDI	Pension and Disability Insurance
PDIFM	Pension and Disability Insurance Fund of Macedonia
PES	Public Employment Service(s)
PI	Public Institution
PRO	Public Revenue Office
PwD	Person(s) with Disabilities
RCC	Regional Cooperation Council
REF	Roma Education Fund, Budapest
RIC	Roma Information Centre
SEC	State Examination Centre
SEE 2020	South-East Europe Strategy 2020 (<i>Jobs and Prosperity in a European Perspective</i>)
SEI	State Education Inspectorate
SFA	Social Financial Assistance
SLI	State Labour Inspectorate
SME	Small and Medium-size Enterprise(s)
SSO	State Statistical Office
SWC	Social Work Centre
TIDZ	Technological Industrial Development Zones
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UN Women	UN Entity for Gender Equality and the Empowerment of Women
USAID	The United States Agency for International Development
VET	Vocational Education and Training
VETC	Vocational Education and Training Center
VNFIL	Validation of the Non-Formal and Informal Learning
VPGRM	Vice President of the Government of the Republic of Macedonia
WB	World Bank

EMPLOYMENT AND SOCIAL REFORM PROGRAMME

1. INTRODUCTION : GENERAL ECONOMIC AND SOCIAL CONTEXT

The full membership and full integration of the Republic of Macedonia into the European Union is one of the major strategic priorities of the country, resulting primarily from the broad support for this process by the citizens, as well as the strong and evident commitment to reforms essential for ensuring prosperity for the citizens of the Republic of Macedonia and which, at the same time, are complementary with the requirements and criteria for the Union membership.

It can well be considered that the process of the Republic of Macedonia's integration in the European Union have started with the proclamation of the country's independence in 1991, when EU membership was established to be one of the priority strategic goals and interests of the country.

The Republic of Macedonia established diplomatic relations with the European Union in December 1995, and the process of approximation was particularly intensified in March 2000, with the initiation of negotiations for the Stabilization and Association Agreement.

In April 2001 Macedonia was the first country to sign the **Stabilization and Association Agreement**, which officially entered into force on April 1, 2004.

Following the official submission of the **application for membership** in 2004 and handing over the replies to the comprehensive Questionnaire for assessment of the readiness of the country, the Republic of Macedonia received the **status of a candidate country for EU membership** on 16 December 2005.

Obtaining the status of a candidate-country for EU membership was a political recognition of the progress made by the country in realization of the reform processes and building an open, democratic society, and this marked the entering of Republic of Macedonia into a higher stage of its process of European integration.

Since then, at the end of each year, the European Commission has been publishing regular annual Reports that presented a detailed assessment of the achievements and progress in the country in the current year, noting also the areas where further efforts and reforms are necessary in the period ahead.

In February 2008, the European Council adopted the **Accession Partnership** for the Republic of Macedonia, which replaced the previous European Partnership from 2006, defining the key benchmarks as conditions for further progress in the European integration process.

In late 2009, as a result of the negotiations regarding **visa liberalization**, the successfully implemented reforms in the areas of justice, freedom and security and the fulfilment of the benchmarks set by the European Commission, the European Council adopted a decision by which the citizens of the Republic of Macedonia were allowed to travel without visas within the EU Schengen area.

In its annual Progress Report published on 14 October 2009, the European Commission **recommended starting negotiations for accession of the Republic of Macedonia in the European Union.**

Consequently, in all subsequent annual Progress Reports, the European Commission reiterated its recommendation to the EU Council to define a date and to make a decision to start accession negotiations.

However, although the Progress Report for 2015 (published on 10 November 2015), granted the Republic of Macedonia a **seventh** consecutive positive assessment of the progress in the EU integration process and seventh recommendation to open the accession negotiations, due to failure to achieve the necessary consensus on this issue within the Council, the starting date for negotiations has not yet been defined.

Despite this situation, the Government of the Republic of Macedonia remains firmly committed and dedicated to fulfilling the EU membership requirements and criteria, to the adoption and acceptance of the values and benefits of the Union, implementation of necessary reforms, harmonization of the national legislation with the EU acquis, as well as adapting the Macedonian institutions to the functioning of the EU institutions.

Throughout this entire period, the Republic of Macedonia and the European Union remain committed to maintaining an active and continuous political and economic dialogue, in particular within the structures established under the Stabilization and Association Agreement, i.e. meetings of the Stabilisation and Association Committee, the seven Subcommittees and the Special Group for Public Administration Reforms.

In March 2012, a new instrument, the so called **High-level Accession Dialogue (HLAD)**, was introduced, as a new mechanism that will bring additional impetus and dynamics in the EU-RM relations and the euro integration processes in the Republic of Macedonia, providing a framework for a structured high-level dialogue on the key priorities and main reform challenges in several key areas.

The intensive cooperation and dialogue with the European Union and the European Commission is also reflected through the processes of preparation the **(National) Economic Reform Programme (ERP)**, as well as this particular strategic document i.e. the **Employment and Social Reform Programme (ESRP).**

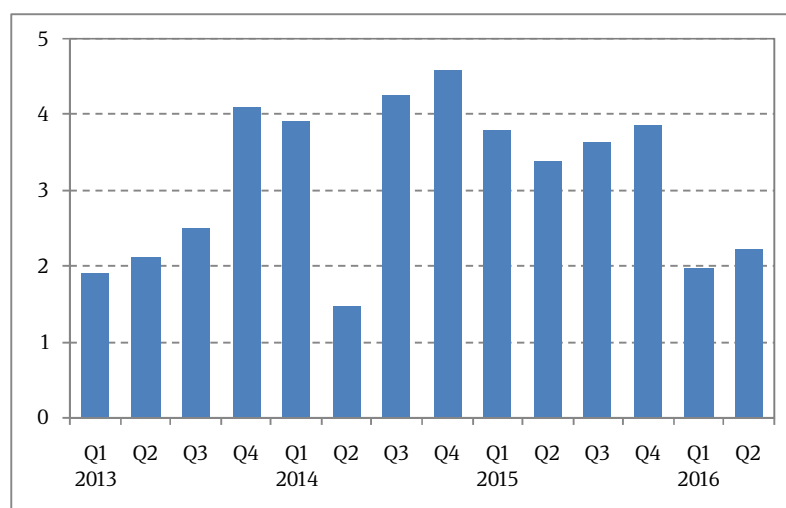
1.1. Economic context

Gross Domestic Product (GDP)

In the first half of 2016 the real GDP growth amounted to 2.1%, amid increased political instability in the country. The main driver of economic growth in this period, as in the past years, was construction sector, which registered an increase of 17.8%. The agriculture sector in this period registered a growth of 2.7%, while the growth in the services sector amounted to 1.3%, resulting from the positive developments in several activities.

Industrial production¹ in the period January-August 2016 increased by 5.5% as a result of increased production in Manufacturing by 9.2%, within which significant increase was registered in Manufacture of motor vehicles (growth of 71.5%), Manufacture of machinery and equipment (27.8%) and Manufacture of electrical equipment (17.7%), industrial sectors in which belong a portion of companies that operate in the free economic zones. Solid growth of production in this period was also observed in the segment of traditional industrial sectors.

Chart 1. Annual growth of real GDP (%)



Source: State Statistical Office

Export of goods in the period January-August 2016 increased by 6.1% compared to the same period last year, mainly due to production of foreign capacities in the free economic zones. Export growth was accompanied with an improvement in the export structure through increase of the share of products with higher added value, amid increase of export of machinery and transport equipment by 21.5% and chemical products by 13.7%. Import of goods in this period registered a lower growth rate than export, which amounted to 5.6%.

Positive contribution to the economic growth had also consumption, which in the first half of 2016 registered a real growth of 2.4%, due to the growth of both private and public consumption. Private consumption increased by 2.8%, as a result of employment and wage growth, while public consumption growth amounted to 1.1%. Gross investments in the first half of 2016 dropped by 0.7% in real terms.

External sector

The current account deficit of balance of payments in the period January-July 2016 amounted to about EUR 140 million, being widened by EUR 3.3 million compared to the same period in 2015, mainly as a result of lower inflow of private transfers from abroad. Inward foreign direct investments (FDI) in the period January-July 2016 amounted to EUR

¹ According to the monthly data

171 million, increasing by about EUR 12 million or 7.4% compared to the same period of 2015. Most of the FDI in this period is on the basis of reinvested earnings (about EUR 70 million) and on the basis of equity (EUR 62.2 million).

At the end of August 2016, gross foreign reserves amounted to EUR 2,677 million and provide for over 5 month coverage of import of goods and services in the previous 12-month period, which represents an adequate level of foreign reserves to cope with potential shocks.

Inflation and monetary trends

Inflation rate in the period January-August 2016 amounted to -0.4%. The decrease of consumer prices in this period was mostly due to lower energy prices, primarily for petroleum products, and food prices.

National Bank of Republic of Macedonia in May 2016 increased the interest rate of CB bills to 4% from 3.25% previously, as a result of the increased demand for foreign currency and the pressures on the banks' deposit base in April, amid worsening political situation in the country.

Banks held their stability and safety in conditions of uncertain domestic environment, but which resulted in a slowdown of the growth of banking activities. Thus, the total deposits of the banking system in August 2016 increased by 4.5% on annual basis, mainly due to increased deposits in foreign currency. Total bank loans in August increased by about 3% compared to August last year, due to increased lending to households. Despite banks being cautious, credit growth was also affected by the measures of the National Bank, in particular the measure to write off the old fully provisioned non-performing loans from credit portfolios of banks.

Fiscal trends

Total budget revenues in the period January-August 2016 grew by 6.2% compared to the same period in 2015. Tax revenues in this period increased by 8.6%, mainly due to higher collection of indirect taxes, whereby the highest growth was registered for VAT revenues. Collection of social contributions in this period increased by 5.2%.

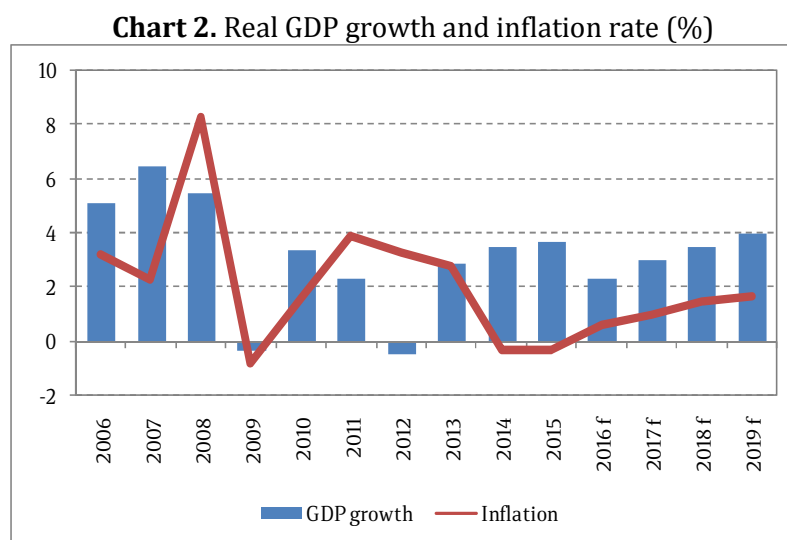
Total budget expenditure in the period January-August 2016 grew by 3% compared to the same period last year, as a result of the increase of current expenditure by 4.2%. Budget deficit in this period was 1.7% of projected GDP.

Medium-term macroeconomic forecast

Macroeconomic policy of the Republic of Macedonia in the coming period is aimed at fulfilling the strategic commitments of the Republic of Macedonia for long-term and sustainable economic growth, increasing competitiveness of the economy and job creation, as well as better living standard of the population.

Fiscal policy is geared towards spurring economic activity by increasing the quality of public finances, primarily through an increase in the capital expenditures to improve infrastructure, and strengthening the ability of the private sector for growth and job creation. Simultaneously, in coordination with the monetary policy, shall contribute to achieving sustainability of the external position of the country and to retaining macroeconomic stability.

Taking into account the assumptions on the external environment, as well as the sound macroeconomic policy, structural reforms for increasing the competitiveness of the country, it is projected that the real growth of GDP will be 3% in 2017, 3.5% in 2018 and 4% in 2019.



Source: SSO and projections of the MF

Export of goods and services is projected to be a significant driver of economic growth in the medium-term, which is expected to grow by 6.7% in real terms on average. Export growth is mainly associated with a further increase in export from the free economic zones, amid entry of new export capacities of foreign companies and a gradual increase of external demand.

The growth forecast of gross investments in the period 2017–2019 is 5.8% in real basis on average. Positive contribution to gross investments growth is expected from the planned investments of the public sector as a main driving force of investments in infrastructure. Within public investments are envisaged investment projects to improve the transport network in the country, as well as capital expenditures to improve energy and utility infrastructure, improvement of conditions in educational, social and health system, which in the long-run will influence on increasing the competitiveness of the country.

In the period 2017-2019, the real growth of private consumption is projected at 2.5% on average, mostly as a result of expected growth in household disposable income, amid projected increase in employment and wages, being also supported by expected increase of credits to households. Public consumption in this period is expected to grow by 1.3%. Projected growth of domestic demand and export activity imply growth of import as well, which, in this period, is expected to be 5.5% in real terms on average.

Projected economic growth in the period 2017-2019 is expected to be accompanied by increased demand in the labour market through job creation in the free economic zones and as a result of the implementation of publicly-funded infrastructure projects that together with active employment measures and programs will result in a further decline of the unemployment rate. According to the projections, in this medium-term period an average annual growth of the number of employed by 2.1% is expected, which will result in a reduction of the number of unemployed by 3.2% on average this period. Increase of labour demand in this period is expected to be reflected on the labour supply, projected to increase by 0.9% on average. The average net wage growth in this period is expected to be 2.4% in nominal terms.

Inflation rate in the period 2017-2019 is expected to be low and stable. The dynamics of inflation will be influenced by movements in world prices of commodity goods and partly by the developments of economic activity in the domestic economy. Inflation rate in 2017 is projected at 1%, while inflation rate forecast for 2018 and 2019 is 1.5% and 1.7% respectively.

The current account deficit in the period 2017-2019 is expected to remain low, between 2% and 2.5% of projected GDP, amid certain reduction in the level of trade deficit and a stable level of private transfers. Expected trends in the balance of payments will result in maintaining foreign exchange reserves at an adequate level. In this period, exchange rate against the euro will remain stable, aimed at maintaining price stability as the ultimate goal of monetary policy.

Risks related to the macroeconomic projections

Risks to projected economic growth rates in the near-term are related to the domestic political crisis and its possible protraction, which can deteriorate the confidence of economic agents, being reflected through increased constraint on investment and consumption. In the longer term, risks to projections are related to global economic developments, in particular growth dynamics of the EU economy, as a main trading partner of Macedonia. Thus, weaker than expected economic performance in the EU and other trading partners of the country in the next medium-term period may worsen the prospects for economic activity growth in the country, through slower growth of exports and industrial production, as well as reduced inflow of foreign capital.

1.2. Social context

1.2.1. Population

The category population is a quite dynamic and changeable category, so following the size, trends and changes that happen in space and time, involves following and analyzing more components. Changes in the population structure always result from the direct impact of natural trends (natality and mortality rates) and mechanical movements (migration) of the population.

According to data from the last Census of the population, households and housing units in 2002, in the Republic of Macedonia there were 2,022,547 inhabitants, representing an increase of 3.9% in comparison with the Census in 1994 and 43%, compared to the 1948 Census.

On the basis of results from censuses and data for natural and mechanical population growth in inter-census periods, population estimates are being calculated on annual basis (situation on June 30 and December 31).

According to the last population estimation (31.12.2015), there are 2,071,278 inhabitants in the Republic of Macedonia which represents 13,994 persons or 0.7% more in comparison with 2010 when the population amounted to 2,038,514 inhabitants and 32,764 persons or 1.6% more in comparison with 2005 with 2,057,284 inhabitants.

The percentage share of women and men in the total population is almost equal, 49.9% of the population are women and 50.1% are men.

The population density in 2015 was 80.5 inhabitants per km², thus putting the Republic of Macedonia in a relatively favorable position. However, bearing in mind the territorial distribution of the population, figures are less favorable.

The most densely inhabited regions are the Skopje region (340 inhabitants per km²) and the Polog region (132 inhabitants per km²), whereas the least densely populated area is the Vardar region with approximately 38 inhabitants per km².

Population structure by age

Regarding the age structure, the population of the Republic of Macedonia is getting older, i.e. the percentage of the old population rises and so does its share in the total population.

In the period from 2005 to 2015, the percentage of the younger population (0-14 years) in the total population decreased from 19.4% to 16.7% and the percentage of the old population (65 and above) increased from 11.1% to 13.0%.

The Republic of Macedonia exceeds the limit of 12% of old population and enters the group of countries which are demographically characterized as countries with old population.

Table 1. Population by age groups, Republic of Macedonia, 2005-2015

	0-14	15-64	65+	Unknown
2005	396,351	1,414,995	226,272	896
2010	358,971	1,456,785	241,060	468
2015	344,909	1,457,092	268,997	280

Source: State Statistical Office

Potential pressure, changes and problems that the aging population may cause are clearly depicted through values of certain demographic indicators. The average age of population notes continuous increase and in 2015 it amounted to 38.5 years (37.6 for men and 39.3 for women). Having in mind the projections, the average age will increase in the following years as a result of the increased share of the old population.

In the field of economy, ageing influences economic growth, saving, investments, production, labour force, pensions, taxes and intergeneration transfers. In social sense, aging influences family structure and lifestyle, household demand, migration trends, epidemiology and health care. It can be stated that this period is a challenge for those who plan the public policy in the countries because in order to redeem the aging consequences, a lot of economic and social adjustments are needed.

Birth rates or natality

Changes in population structure always occur as a result of direct influence of natural (natality and mortality rates) and mechanical (migrations) movements of the population.

The continuous decreasing trend of fertility can be particularly noticed in the last decade of the twentieth century when fertility rate was still on simple reproduction level (2.1 live births per one woman), but since then, the values of the Total Fertility Rate (TFR) constantly decrease and today, the Republic of Macedonia is on the border of low fertility rate (TFR below 1.5) and the so called safe zone (FFR above 1.5) and in 2015, this rate was 1.49.

The population natural trends in the Republic of Macedonia, observed through the number of live births, deaths and natural population growth, as well as vital rates are characterized by large variations and regional deviations.

Table 2. Overview of the natural trend of population in the R. Macedonia (2005-2015)

year	Population at the middle of the year (in thousands)	Live births	Deaths	Natural population growth	marriages	divorces	per 1,000 inhabitants				Infant deaths per 1,000 live births
							Live births	deaths	Natural population growth	marriages	
2005	2,037 ³⁾	22,482	18,406	4,076	14,500	1,552	11.0	9.0	2.0	7.1	12.8
2006	2,040 ³⁾	22,585	18,630	3,955	14,908	1,475	11.1	9.1	1.9	7.3	11.5
2007	2,044 ³⁾	22,688	19,594	3,094	15,490	1,417	11.1	9.6	1.5	7.6	10.3
2008	2,047 ³⁾	22,945	18,982	3,963	14,695	1,209	11.2	9.3	1.9	7.2	9.7
2009	2,051 ³⁾	23,684	19,060	4,624	14,923	1,287	11.5	9.3	2.3	7.3	11.7
2010	2,055 ³⁾	24,296	19,113	5,183	14,155	1,720	11.8	9.3	2.5	6.9	7.6
2011	2,059 ³⁾	22,770	19,465	3,305	14,736	1,753	11.1	9.5	1.6	7.2	7.6
2012	2,061 ³⁾	23,568	20,134	3,434	13,991	1,926	11.4	9.8	1.7	6.8	9.8
2013	2,064 ³⁾	23,138	19,208	3,930	13,982	2,045	11.2	9.3	1.9	6.8	10.2
2014	2,067 ³⁾	23,596	19,718	3,878	13,813	2,210	11.4	9.5	1.9	6.7	9.9

³⁾ Estimates made on the basis of the total population according to Census 2002.

Source: State Statistical Office

The natality rate decrease is caused by the so called pace-effect or postponing giving birth and getting married at a later stage of life. The average age of getting married for the first time of the bride increased from 24.7 in 2008, 25.2 in 2010 to 26.2 years in 2015, whereas the average age of the groom increased from 27.7 to 29 years. The average age of mothers at delivering the first baby increased from 25.6 in 2008, 26.6 in 2010 to 27 in 2015.

Mortality rates

Changes in population age structure also reflect on the number of deaths which in the period 2010-2015 influenced rise in the general mortality rate from 9.3 deaths per one thousand inhabitants in 2010, 9.8 in 2012 and 9.9 in 2015.

Mortality rates for men are higher than for women, whereas the average age of death increases the discrepancy between men and women and in 2015 it amounted to 75.1 for women and 70.4 for men.

Life expectancy at birth indicates mild increase. From 2006 to 2008 it was expected that Macedonians would have lived 74.00 years (71.95 men and 76.14 women), whereas for the period 2011-2013 this rate was 75.13 years (73.15 men and 77.16 women). For the period 2013-2015, the estimated life expectancy was 75.4 years (73.5 men and 77.4 women) or women were expected to live 3.9 years longer than men.

According to data for 2015, the most common reasons for death are: circulatory system diseases responsible for 58.4% of deaths, neoplasms for 18.3%, symptoms, indicators and abnormal clinical diagnoses otherwise unclassified for 6.5%, endocrine, nutritive and metabolic diseases for 4.3% etc.

Migration movements

The Republic of Macedonia is characterized as a distinctive migration area with intensive internal population movements and continuous population emigration to other countries. On the one hand, this directly influences the number, the territorial layout and the population structure, and on the other hand, it determines natality and mortality rates because of population gender and age structure consequences.

In 2015, 6,475 inhabitants migrated within the borders of the Republic of Macedonia, the major reason for migration being marriage (53.3%), and according to age, most of the migrants or 51.3% are at the age of 15-29 years. 490 people immigrated from other countries, and 945 Macedonians emigrated or 455 more residents left the country than inhabited it.

Table 3. Internal and external migrations by year (2008-2013)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Internal migrations	9,438	8,964	7,785	7,276	7,612	8,334	7,915	8,260	8,050
External migrations									
- immigrated	2,181	1,609	1,857	2,715	3,211	3,787	3,991	4,208	5,358
- emigrated	240	751	792	1 007	1,290	1,415	1,041	839	1,016
Migration balance	1,941	858	1,065	1,708	1,921	2,372	2,950	3,369	4,342

Source: State Statistical Office

One of the major factors that stimulate these migration movements is the current situation of the labour market and the high percentage of young people in the total unemployment rate. Hence, employment of the youth including those with higher levels of education remains a grave issue and challenge in order to decrease youth emigration or worldwide known as "brain drain".

The emigration has a strong negative influence on the population reproduction, because the "export" of women in their fertility period leads to low levels of future natality rates. Decreasing emigration will considerably alleviate the consequences that influence the process of demographic aging of the total population.

Generating the presented and many other population data and indicators are based on applying international recommendations, standards and classifications, as well as on the national legislature.

In the last few decades, the Republic of Macedonia is confronted with numerous challenges that derive from existing economic and social conditions, which directly influence the demographic trends in the country. Taking into consideration the complexity of the demographic issues and the necessity to observe them within the wide-ranging socio-economic processes in the country, the Government of the Republic of Macedonia adopted a *National Strategy for Demographic Development* of the Republic of Macedonia as a basic document which identifies priority areas and tasks in formulating the demographic policy. This national strategy is in accordance with other national strategic documents and with the international EU legal framework. It was prepared with the participation of all significant stakeholders in the country, governmental institutions, the non-governmental sector etc.

1.2.2. Poverty and standard of living

Table 4. Comparison of specific indicators from the Survey on income and living conditions - SILC, 2010-2014 година

Poverty and social exclusion indicators	2010	2011	2012	2013	2014
At-risk-of-poverty rate, % of population	27.0	26.8	26.2	24.2	22.1
At-risk-of-poverty threshold (poverty line) of single-person Household, annual equivalent income in denars	60,000	64,800	67,200	70,275	71,925
At-risk-of-poverty threshold (poverty line) of four-person household (2 adults and 2 children aged less than 14), annual equivalent income in denars	126,000	136,080	141,120	147,578	151,043
Inequality of income distribution S80/S20 quintal income proportion	11.3	10.6	10.2	8.4	7.2
Inequality of income distribution Gini coefficient	40.9	38.5	38.8	37.0	35.2

Source: State Statistical Office, SILC

The rate of poor people calculated by Eurostat recommendations gradually decreased from 27.0% in 2010 to 22.1% in 2014 of people who live below the poverty line.

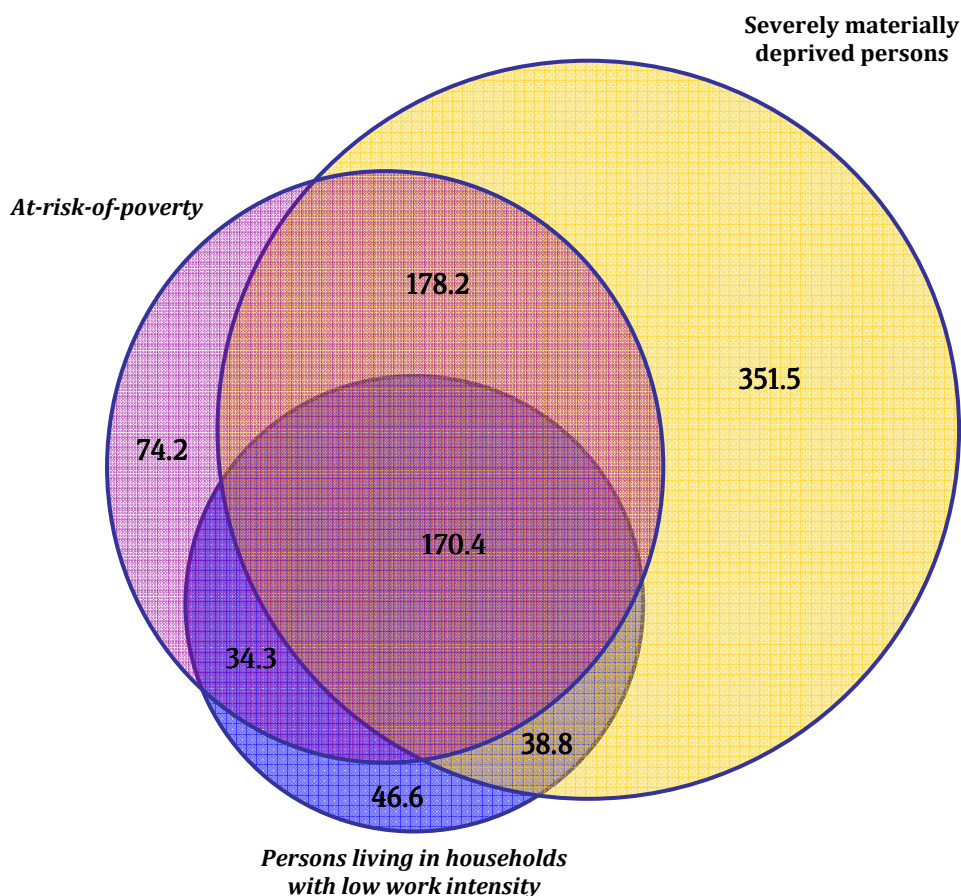
Both indicators for unequal distribution of income, the Gini coefficient and the indicator S80/S20 (which demonstrate the ratio between sums of the highest and the lowest 20 per cent of equivalent income of people in households) have continuously been decreasing in comparison with 2010.

We shall emphasize the fact about 2014, when of all employed people, only 9.8% were poor, of all unemployed people, about 40.4% were poor, of all pensioners 8.4% were considered to be poor and of other inactive people 26.1% were poor.

Concerning the capacity of poor households to possess certain permanent goods, gathered data show the following. In 2014, most of the poor households or 95.8% had a colour TV, a telephone could be found in 90.3% of the poor households, a washing machine in 82.8%, a car in above one third of all poor households, whereas a personal computer or a laptop in 50.4% of all poor households.

The rate of poor or socially excluded people or the AROPE (*at-risk-of-poverty or social exclusion*) indicator is one of the major (headline) indicators for monitoring the EU2020 Strategy poverty-related targets. It shows the population share which is either poor (at risk of poverty) or severely materially deprived or lives in a household with a very low intensity of economic activity. The value of this indicator in 2014 was relatively high and amounted to 43.2%.

Graph 3. Overlap between those at risk of poverty, suffering severe material deprivation and with low work intensity, number of people (in thousands) - 2014



Source: State Statistical Office, SILC

According to data from the Household consumption Survey, personal consumption costs of households analyzed in the last few years continually fell at a mild rate and two years ago an increase was spotted. Namely, finances spent for personal consumption by household member in 2010 amounted to 86,620 denars, in 2011 – 85,794 denars, in 2012 – 82,929 denars, in 2013 - 77,196 denars. Since 2014, finances spent for personal consumption per household member note an increase which amounted to 83,571 denars, whereas in 2015 each household member on average spent 88,288 denars on personal consumption.

The inflation rate measured with the Consumer Price Index has gradually decreased during the last few years from 3.9% in 2011, and in 2014 and 2015 we observed transformation of the inflation into deflation rate of 0.3%.

Table 5. Consumer Price Index, 2011-2014

previous year = 100

	2011	2012	2013	2014	2015
Consumer prices	3.9	3.3	2.8	-0.3	-0.3

Source: State Statistical Office

1.2.3. Labour market

During a longer period of time, the Republic of Macedonia has been experiencing positive developments on the labour market. The unemployment rate has been steadily decreasing, whereas the rate of activity and employment have continuously been increasing. The increase in employment is mainly due to the implementation of various active employment measures, attracting foreign investments and the activities of the foreign companies operating within free economic zones, implementation of the public investments in the infrastructure.

Table 6. Activity rates of the population (15+) by gender, 2009-2015

	2009			2010			2011			2012			2013			2014			2015		
	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W
Unemployment	32.2	31.8	32.8	32.0	31.9	32.2	31.4	31.8	30.8	31.0	31.5	30.3	29.0	29.0	29.0	28.0	27.6	28.6	26.1	26.7	25.1
Employment	38.4	47.5	29.4	38.7	47.5	29.8	38.9	47.0	30.9	39.0	47.1	30.8	40.6	48.7	32.5	41.2	50.1	32.4	42.1	50.5	33.7
Activity	56.7	69.6	43.7	56.9	69.8	44.0	56.8	68.8	44.7	56.5	68.7	44.3	57.2	68.5	45.8	57.3	69.3	45.3	57.0	68.9	44.9

Source: State Statistical Office, Labour Force Survey (LFS)

The table shows data that represent some of the major indicators for monitoring economic indexes for the labour market condition in the Republic of Macedonia, the unemployment, employment and activity rates.

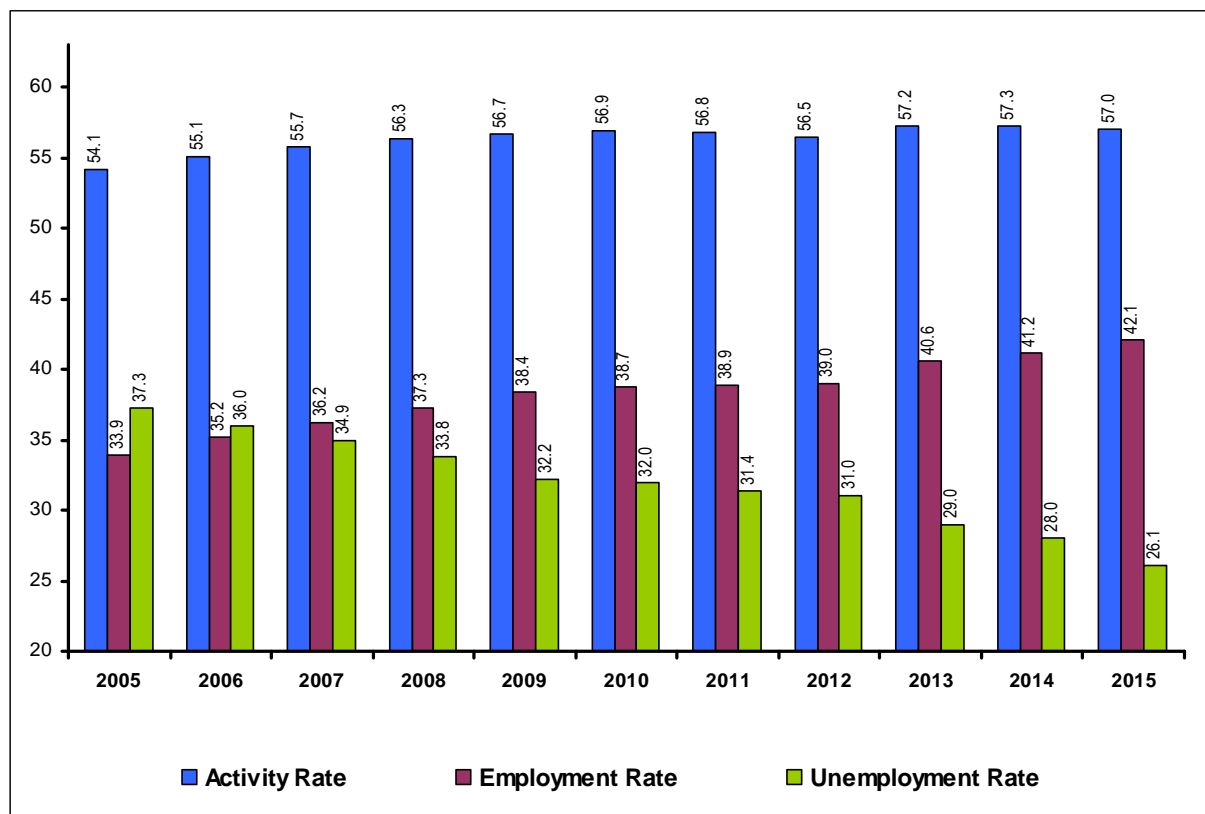
Displayed data demonstrate positive trends on the labour market and the employment opportunities, where the employment rate has been constantly growing since 2009 and reached its highest increase of 3.7 percentage points in 2015 with 42.1%.

It is worth mentioning that increased employment rates are more noticeable in women with an increase of 4.3 percentage point in 2015 in comparison with 2009. However, if compared to the employment rate in men which amounts to 50.5, a limited access for women was noticed on the labour market.

In 2015, the unemployment rate decreased by 6.1 percentage points in comparison with 2009. Unemployment mainly hits young people, older employees and low-qualified people. The unemployment rate in young people (15-24) in 2015 was 47.3% which is a great decrease in comparison with the previous year (53.1% in 2014); additionally, the unemployment rate also decreased in other age categories.

The unemployment rate in men for the displayed timeframe decreased by 5.1 percentage points whereas in women the rate decreased by almost 7.7 percentage points. As opposed to statistics related to activity and employment rates, generally, gender does not significantly influence the unemployment rate which is almost equal by value for both men and women.

Graph 4. Major LM indicators in Macedonia, Activity, employment and unemployment rates (15+)



Source: State Statistical Office, LFS

2. KEY CHALLENGES IN THE FIELD OF EMPLOYMENT AND SOCIAL POLICY

2.1 Labour Market and Employment

Introduction

As it was previously stated, relevant statistic data from publications of the Labour Force Survey (LFS) show that the labour market situation was gradually improving within the period from 2000 to 2015. This can be observed through increased figures of active population and the number of employed people, as well as the decrease of unemployed people.

The activity rate in the country is lower than that in the EU countries, which is mainly caused by lower labour market presence of women, whereas the activity rate of men on the labour market is generally comparable in correlation with the rate in the EU.

In accordance with data published by the European Commission (Directorate-General for Employment, Social Affairs and Inclusion) and data published by the State Statistical Office of the Republic of Macedonia, the following comparative indicators can be noticed regarding population activity rate:

Table 7. Presentation of the activity rate (15-64)
In EU28 and the Republic of Macedonia, by gender

		2007	2008	2009	2010	2011	2012	2013	2014
EU 28 ⁽¹⁾	Total	70.3	70.7	70.8	71.0	71.1	71.7	72.0	72.3
Macedonia ⁽²⁾		62.8	63.5	64.0	64.2	64.2	63.9	63.9	65.3
EU 28 ⁽¹⁾	Men	77.6	77.8	77.6	77.6	77.5	77.8	77.9	78.1
Macedonia ⁽²⁾		74.8	76.6	77.6	77.7	76.8	76.6	76.6	77.7
EU 28 ⁽¹⁾	Women	63.1	63.6	64.1	64.4	64.8	65.5	66.0	66.5
Macedonia ⁽²⁾		50.4	50.2	50.0	50.4	51.2	50.8	50.8	52.5

Source: ¹⁾ European Commission, *EMPLOYMENT AND SOCIAL DEVELOPMENTS IN EUROPE 2015*, (ISSN 1977-270X)
²⁾ State Statistical Office, *LFS*

According to data from the Labour Force Survey by the State Statistics Office, the size of active population in the Republic of Macedonia on the labour market in 2005 was 869,187 which represented 54.1% of the working population above 15 years (15+). In the period between 2000 and 2004, the activity rate was relatively stable with a mild decline, or more precisely, 52.9% in 2000 and 52.2% in 2004. The activity rate from 2005 to 2014 was gradually increasing and reached 57.3% or 958,998 people or 89,811 active people more, i.e. an increase of 10.3% in relation with 2005 (the activity rate rose by 3.2 p.p.).

The employment rate in the Republic of Macedonia is considerably lower than that in the countries of the European Union. In 2001, the employment rate was 38.6% and in the following three years this number reached the lowest rate of 32.8% in 2004. Since 2005, the employment rate had been gradually growing and in 2015 the rate reached 42.1% or 705,991 people above the age of 15 (15+) in total. The number of employed people from 2005 to 2015 rose by 160,738, an increase of 29.5% or employment rate increase (15+) of

8.2 p.p.. Similarly as with the activity rate, regarding gender representation in employment, women are less represented on the labour market than men.

Table 8. Employment rate in the Republic of Macedonia

		2008	2009	2010	2011	2012	2013	2014	2015
Employment rate (15+)	Total	37.3	38.4	38.7	38.9	39.0	40.6	41.2	42.1
	Men	45.7	47.5	47.5	47.0	47.1	48.7	50.1	50.5
	Women	28.8	29.4	29.8	30.9	30.8	32.5	32.4	33.7
Employment rate (15-64)	Total	41.9	43.3	43.5	43.9	44.0	46.0	46.9	47.8
	Men	50.7	52.8	52.8	52.3	52.4	54.5	56.1	56.6
	Women	32.9	33.5	34.0	35.3	35.5	37.3	37.4	38.8

Source: State Statistical Office, LFS

For the purpose of comparison, the employment rates in the 28 Member States of the European Union (EU28) are presented below:

Table 9. EU28 Employment rate (15-64)

		2008	2009	2010	2011	2012	2013	2014	2015
Employment rate (15-64)	Total	65.7	64.5	64.1	64.2	64.1	64.1	64.9	---
	Men	72.6	70.6	70.0	70.0	69.6	69.4	70.1	---
	Women	58.9	58.4	58.2	58.4	58.6	58.8	59.6	---

Source: European Commission, *EMPLOYMENT AND SOCIAL DEVELOPMENTS IN EUROPE 2015*, (ISSN 1977-270X)

The unemployment rate was gradually decreasing within the period between 2005 and 2015, from 37.3% in 2005 to 26.1% in 2015 when the lowest annual level was reached. In 2015, the number of unemployed people (15+) reached a number of 248,933 people (from 323,934 in 2005), or more precisely a fall of remarkable 11.2 percentage points of the unemployment rate (15+). Regarding gender representation among the unemployed, unemployment rate is almost equal in both men and women and there is no significant difference.

What is characteristic is the considerably high unemployment rate among the **young persons** aged 15 to 24 – 47.3%, but positive changes have also been noticed for this age group and the rate decreased by 15.3 p.p. in comparison to 2005, when the rate amounted to particularly high 62.6%.

Table 10. Unemployment rates in the Republic of Macedonia, by gender and youth (15-24)

		2008	2009	2010	2011	2012	2013	2014	2015
Unemployment rate (15+)	Total	33.8	32.2	32.0	31.4	31.0	29.0	28.0	26.1
	men	33.5	31.8	31.9	31.8	31.5	29.0	27.6	26.7
	women	34.2	32.8	32.2	30.8	30.3	29.0	28.6	25.1
Unemployment rate (15-64)	Total	34.0	32.3	32.2	31.6	31.2	29.1	28.1	26.3
	men	33.7	32.0	32.1	31.9	31.6	29.1	27.8	27.0
	women	34.3	32.9	32.5	31.0	30.5	29.2	28.7	25.3
YOUTH Unemployment rate (15-24)	Total	56.4	55.1	53.7	55.3	53.9	51.9	53.1	47.3
	men	55.7	52.7	53.9	55.5	55.2	52.5	52.0	49.7
	women	57.4	59.4	53.3	54.8	51.8	51.0	55.0	43.3

Source: State Statistical Office, LFS

For the purpose of comparison, the unemployment rates (and youth unemployment) in the 28 Member States of the European Union (EU28) are presented in the table below:

Table 11. EU28 Unemployment rates

		2008	2009	2010	2011	2012	2013	2014	2015
Unemployment rate (15+)	Total	7.0	9.0	9.6	9.7	10.5	10.9	10.2	---
	men	6.6	9.0	9.7	9.6	10.4	10.8	10.1	---
	women	7.5	8.9	9.6	9.8	10.5	10.9	10.3	---
YOUTH Unemployment rate (15-24)	Total	15.9	20.3	21.4	21.7	23.3	23.7	22.2	---

Source: European Commission, *EMPLOYMENT AND SOCIAL DEVELOPMENTS IN EUROPE 2015*, (ISSN 1977-270X)

One of the most significant issues and challenges that the labour market in the country is facing is also the problem of the particularly high and considerably present **long-term unemployment**. The low rates of job creation as well as the static labour market, both resulted in the emergence of a high long-term unemployment, as well. According to the State Statistical Office data, in 2015, 81.6% of the unemployed persons were looking for a job for more than 1 year, i.e. they belong to the group of long-term unemployed, and approximately 62% are seeking job for 4 or more consecutive years. This category largely consists of considerably discouraged workers who are not active or who work in the informal economy, i.e. people who are particularly vulnerable and need special support and assistance in order to restore their confidence, motivation and increasing the chances and opportunities for employment and active participation in the labour market.

A serious challenge for the country has been the **unemployment** and the **under-employment of young persons (15-29)**, or more precisely, the situation is such that one of every two young persons in the labour force is unemployed. This high unemployment rate of young people entails a loss of investment in education and training, reduced tax base and higher social spending, while long periods of unemployment in the early stages of life negatively affect employment prospects throughout the working life of young people.

Table 12. Activity rates of youth (15-29) in Macedonia

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Activity rate (15-29)	48.9	49.6	49.3	48.9	48.2	49.2	49.2	49.4	49.2
Employment rate (15-29)	24.5	25.8	26.6	26.5	25.5	26.1	26.8	27.1	28.3
Unemployment rate (15-29)	50.0	48.1	45.9	45.8	47.0	47.0	45.5	45.1	42.5

Source: State Statistical Office, LFS

The majority of young people have completed secondary education (54.1% of young people who completed their education) the majority of which in vocational education. About 26.7% of young persons have completed higher education. A small part of young people (2.4 per cent) have left the education before completion, and this phenomenon is more prevalent in young women than in young men. Family and family circumstances are most often the main causes of early school leaving by the young women (either because of early marriage, tendencies of poorer families to favor the education of their boys instead of the girls or the culture and traditions that prevent young women to gain a higher level of education)².

² **International Labour Organization:** Labour market transitions of young women and men in Macedonia. Results of the 2014 school-to-work transition survey / Nikica Mojsoska-Blazhevski, ILO and the State Statistical Office (Geneva: ILO, 2016 / Work4Youth publication series; No.37)

Of course, higher education ensures better outcomes for young people in the labour market and unemployment rates of young people progressively decline with each additional level of education completed. The unemployment rate among young people with a completed university degree is still high, but compared with the results of other educational groups; it becomes clear that education undoubtedly gives better results in the labour market in the country. Almost a third (31.9%)³ of the young people in the country fall into the category of people who are neither employed nor involved in education/training (NEET - Neither Employed nor in Education or Training).

The quality of available jobs remains a major problem for young people in Macedonia, where the main concern is the high proportion of young people working in informal employment (48.1 per cent), and more than one fourth (27.6%) of the employed young people work in a field that does not correspond to their level of education. The average duration of the transition from school to the first stable/satisfactory employment amounted to 37 months for young men and 23 months for young women. It is clear that the Macedonian labour market has a significant problem with the absorption of new young people with completed higher degree of education, especially those who are unable to achieve a higher degree. The period of transition to the first stable/satisfactory employment is almost three times longer for those young people who completed secondary education compared to those who completed higher education (37.1 and 12.5 months, respectively).⁴

Of course, last but not the least, it is important to mention the situation with unemployment of the other identified vulnerable population groups (for ex. people with disabilities, social assistance beneficiaries, women, people with low levels of education and qualifications, people from rural areas, Roma people and so on), who are in need of a special treatment and have to cope with the unfavorable conditions they are facing through implementation of specific and adequately tailored measures and activities, usually a set of more complementary measures which can lead to the desired results.

Strategies and the process of preparation

The *National Employment Strategy* of the Republic of Macedonia 2016-2020 is the basic current document which contains the main mid-term challenges of the labour market and the strategic goals and objectives that refer to the period up to year 2020. The strategy was adopted in 2015 and it was prepared within an open and participative process that included all relevant institutions and organizations, social partners, as well as domestic and international experts.

This strategy provides continuation in establishing labour market challenges and respective strategic objectives with respect to macroeconomic and microeconomic policies, labour market employment policies, education and human capital, tackling issues and challenges faced by the different vulnerable groups of citizens etc.

The National Employment Strategy 2020 offers a detailed analysis and a presentation of the situation, results and achievements for the period of implementation of the previous Employment Strategy 2011-2015, especially in context of the economic situation, trends and developments in the labour market, the human capital in the Republic of Macedonia. It identifies the key challenges and based on those findings, it defines strategic priorities in the relevant areas that are expected to be achieved within the next five years.

³ ibid

⁴ ibid

The National Employment Strategy follows the principles and objectives of the National Program of Economic Reforms, the Fiscal Strategy 2015-2017, the EU strategy “Europe 2020” and the South East Europe 2020 Strategy (SEE 2020), with the main goal of the Strategy being increasing employment, job quality and productivity, with special focus on vulnerable groups of the population. Such objectives shall be achieved with policies and measures that will contribute to increasing the effectiveness and efficiency of the employment policy and support for specific vulnerable population groups; enhancing the capacity of the private sector to create jobs, as well as policies and reforms that will enable the educational system to produce knowledge and skills that match the job market requirements and the needs of employers.

It is worth mentioning that to overcome the challenge of youth employment at national level, the Government and its social partners have also been preparing an *Action Plan on Youth Employment*. The first such Action Plan was prepared in 2012 for the period until 2015, followed by the preparation of the new AP 2016-2020. The current Action Plan shall be implemented until 2020 and is mainly focused on the areas crucial for promoting youth employment. The ultimate goal of the National Action Plan for Youth Employment 2020 is to promote more and better jobs for young men and women, with specific objectives mainly focused on improving compliance of the supply of skills with the requirements of the labour market; promoting job creation led by the private sector and facilitating the transition of young people into the world of work.

The Ministry of Labour and Social Policy coordinates the processes of creating employment strategies, policies and plans and the Employment Service Agency of the Republic of Macedonia (ESARM) is mainly responsible for direct implementation of relevant programmes, measures and activities. As a public institution, established with the Law on Employment and Insurance in Case of Unemployment, ESARM is continually strengthening its capacities and modernizing its services, undertaking numerous activities for enabling access to services and their approximation to the end beneficiaries/clients – the unemployed people and the employers.

Active Labour Market Policies

Starting from 2007, in Macedonia the *Operational Plans for Active Employment Programs and Measures* are created on annual basis. The Operational Plan for active employment programs and measures defines the annual priorities of employment policies through implementation of active employment programs and services. Active employment programs and measures, as well as labour market services are a basic instrument for promoting and effective functioning of the labour market through providing support for the unemployed and employers.

The introduction of annual Operational Plans significantly changed the way labour market active programs are being implemented and had a notable positive effect on the overall results of the Employment Service Agency work.

The intention through implementation of the employment programs and measures provided in the Operational Plan is to ensure direct employment through programs such as self-employment with grants, work-based trainings with subsidized employment, support for the growth of micro and small enterprises for creation of new jobs, as well as measures for increasing employability of unemployed, such as different types of trainings for IT skills,

internships, trainings in occupations demanded in the labour market, trainings at the workplace, so called trainings for a known employer etc.

For the first time, apart from employment programs and measures, the Operational Plan for 2015 also covered labour market services offered by the Employment Service Agency. Such services include assistance in seeking jobs, motivation trainings, employment mediation, services for employers, preparation for employment and for work, professional orientation and career counselling.

The Job clubs of the Employment Service Agency undertake activities to provide unemployed persons with assistance in their job search. With these services, people are provided with appropriate professional assistance in the process of active job search, through information about the labour market, assistance during planning the process of active job search, various types of training, employment counselling etc.

Since 2015, the ESARM began to apply a new tool for profiling unemployed persons and to implement the new approach to individual planning of employment for the most hard-to-employ categories of persons.

Motivational training has regularly been organized for unemployed people, with preference given to the young unemployed, people with lower qualifications and the long-term unemployed. This training, in addition to motivating the unemployed to actively seek work, strengthens the confidence of these people during the process.

In 2015, the total amount of allocated financial means was about 660 million denars and the planned scope (coverage) was 47,826 unemployed persons out of which 31,600 were covered by the LM services and 16,226 by the employment programs.

In order to improve the situation of unemployment, especially among young people, women and long-term unemployed, the implementation of specific active labour market measures, tailored to their needs are supported, also by financial the assistance from the European Union, i.e. the Instrument for Pre-Accession Assistance (IPA).

In the past period (2013-2014) the financial funds that were allocated to active employment programs and measures amounted to 0.048 or 0.05% of the GDP.

There was also an evaluation being undertaken of the active employment programs implemented in the past years, and on the basis of conducted analysis, conclusions and recommendations, certain changes and revisions are being proposed and made regarding the design, scope, implementation means of certain employment programs and measures, in order to improve their efficiency and effectiveness.

Key challenges

The reasons for the current unemployment shall not be sought only in the current conditions, but also in the previous years of transition, the process of privatization, the new market conditions, the informal economy, the poor infrastructure construction, low level of domestic and foreign direct investments.

Taking into consideration current reasons for high unemployment, they can mainly be found in the low demand for labour force which is mainly a direct consequence of the low economic growth in the past decade and the world economic crisis. Additionally, such modest growth in the past was not adequately accompanied by the creation of a satisfactory number of jobs.

The acceleration of the economic growth dynamics is undoubtedly the only way to create new work places. Therefore, sustaining such growth on longer periods is of utmost importance in order to achieve significant benefits in the economy and eventually in the employment.

The labour market in the Republic of Macedonia is further characterized by a high unemployment rate, especially among the youth and the low-qualified, a low activity rate among women as well as long-term unemployment.

On the basis of labour market conditions and activities undertaken to deal with bottlenecks, in the forthcoming period activities will continue to be targeted at:

- Improvements of the economic development and creation of more jobs;
- Tackling unemployment among the most vulnerable categories of persons, such as youth, long-term unemployed, persons with disabilities, inactive persons etc.;
- Decline in the informal economy and informal employment;
- Further strengthening of the capacities and improving quality of work and services of the public employment service;
- Strengthening the social dialogue and collective bargaining at all levels.

2.1.1 Improvement of Economic Development and Job Creation

In the fourth quarter of 2014, there were 696,046 employed people in the Republic of Macedonia and the employment rate was 41.2%. From 2011 to 2014, the number of employed people was increasing on average by 2.3% on annual basis.

The issue of economic development and job creation requires a multi-sectorial approach because the issue itself is multidimensional. Undertaking measures for improving business climate and competitiveness, creating a legal and regulatory environment which enables enterprise sustainability, increasing investments, retaining the low level of taxes and contributions, improving efficiency of the labour legislation and the enhancing labour standards, improving the educational system and human resources in accordance with the labour market needs, along with active employment policies, efficient labour market services and provision of appropriate safety and protection at work will create conditions for improving the situation and opening new work places on medium-term basis.

The development of the labour market through different policies and measures will also be supported by respecting basic work principles and rights, promoting gender equality and encouraging social dialogue which is crucial for the development of the economy and the

labour market. If adopted in an integral and coordinated manner with social partners, these will influence workforce demand stimulation and strengthen inclusive development and the social situation.

2.1.2 Improvement of the unemployment situation, especially with the most vulnerable categories (youth, long-term unemployed and other)

As it has already been presented in the analysis of the labour market situation in Macedonia, one of the key challenges that we are currently facing is tackling the relatively high **unemployment of young persons (15-29 years)** which reached 42.5% in 2015.

Table 13. Youth Unemployment Rate (15-29)

	2010	2011	2012	2013	2014	2015
Unemployment rate (15-29)	45.8	47.0	47.0	45.5	45.1	42.5

Source: State Statistical Office, LFS

Specific measures and activities for decreasing youth unemployment in the areas of legislative framework, education and employment policies, are continually being undertaken.

Introducing the legal possibility for exemption from paying contributions for the compulsory social insurance when employing young people at the age up to 29 in a period of 12 months, with an obligation for the employer to retain the employee in the following 12 months, began to be implemented as a measure in the first quarter of 2014 and within one year, more than 7,000 young people were employed.

Within its activities, including fighting and preventing undeclared work, the State Labour Inspectorate keeps record of the number of young people, aged up to 29, and the sectors they are informally employed in.

For the first time so far, the Operational Plan for ALMM for 2015 defined one general goal that every employment service and programme shall pursue to achieve a minimum of 30% participation of young people up to the age of 29.

In 2012, a specific *National Action Plan for Youth Employment* in the period up to 2015 was prepared in the Republic of Macedonia and it included medium-term strategies and challenges of the labour market that young people at the age up to 29 face, as well as projected outcomes from activities undertaken in micro and macroeconomic policies, education and labour market policies.

A new National Action Plan for Youth Employment was prepared in 2015 and this plan covers the period until 2020. It defines new expected outcomes and the activities to be undertaken within the abovementioned period, with a final target to increase the employment rate for the youth (aged up to 29).

It is also very important to pay particular attention to the situation with the **long-term unemployment**, which is a problem and a challenge that the labour market in the Republic of Macedonia is facing for a very long time.

Available data from the State Statistical Office (LFS) and from administrative sources, i.e. registered unemployed at the Employment Agency, reflect and demonstrate the existence and the nature of this problem, which requires specific approach in designing and implementing appropriate policies and measures that would contribute to its mitigation and appropriate addressing. According to the Labour force survey, in 2015 81.6% of the unemployed were unemployed for a period more than one year, with majority of them looking for a job for more than 4 consecutive years.

According to these data, despite the noticeable downward trend, the rate of long-term unemployment in the country for 2015 was still high at the level of 21.3%.

Table 14. Long-term unemployment rate*

	2010	2011	2012	2013	2014	2015
Total	26.7	25.9	25.5	23.9	23.4	21.3
Men	26.7	26.6	26.1	24.0	23.1	22.1
Women	26.7	24.9	24.5	23.8	23.8	20.1

Source: State Statistical Office, LFS

* share of persons unemployed for one year or more in the total labour force

Such long-term unemployment, which is present even between young persons, contributes these unemployed people to lose their skills and knowledge, their self-esteem and motivation, their productivity decreases, and thus the chances of finding a job. Therefore, it could be freely said that the value of investments made in their previous education are lost or decreased, and of course to improve the situation, it is needed to make new, additional investments for realization of various measures that would contribute to preserving, recovering, enhancing their knowledge and the opportunities for their involvement in the labour market. For these reasons, it is necessary that the continuous monitoring of the situation in this part and the design and implementation of various measures and activities (often it is a combination of several complementary measures) that can yield positive results and lead to certain mitigation of identified problems and challenges in this section, continues in the following period.

In this regard, we shall mention the need for appropriate treatment and tackling unemployment and the need for greater **activation, particularly among the poorest categories of households or users of social financial assistance (SFA)**. Namely, the analyses show that in the social security system and, above all, among people with no or very low income, who are beneficiaries of social financial assistance, there is now a evidently present “dependence” on the social assistance they receive, with much of the beneficiaries receiving the assistance for a very long periods and even for 3, 4, 5 or more years (do not actually leave the system). For example, according to data from the Ministry of Labour and Social Policy, at the end of 2015 there were about 27,000 households - beneficiaries of SFA, with more than 80% of households receiving social assistance for more than 3 years and over 68% of households - beneficiaries of SFA for more than 5 years.

According to the legal provisions, these people - social financial assistance beneficiaries are unemployed, i.e. active job seekers. However, of course, without additional and tailored to their needs, assistance and support, the probability of these people to be active in the labour market and to find a job is very low, and therefore it is necessary to stimulate the activation of these individuals (SFA beneficiaries) and to identify appropriate policies, measures and actions that would contribute to their inclusion in the labour market.

To this end, in 2014, certain specially designed active measures for activation and employment support of social financial assistance beneficiaries began to be implemented, providing for employment subsidies and in some cases, covering the training costs for SFA beneficiaries and other people in social risk registered as jobseekers. These and similar programs and measures will continue to be implemented in the future.

One of the especially vulnerable categories, primarily due to the type and the complexity of the challenges they face in relation to the opportunities, possibilities and conditions for their effective integration in the labor market, are the **persons with disabilities**. As a result, this category of citizens needs special attention, both in terms of design, but also in terms of practical implementation of the measures and programs that would help them to more successfully overcome identified obstacles and challenges and to provide their effective integration into the labor market, as in other spheres of society.

The persons with disabilities are identified as a specific target group in various strategic documents, and the improvement of their situation, employment opportunities and social inclusion, is always one of the priorities of the relevant policies and programs. The same applies also in designing the regular annual active labour market measures, when always measures and programs are planned aimed precisely to increase access, participation and opportunities for persons with disabilities in the labor market and to increase their employability. What is of particular importance is the continuing efforts, through various support measures and programs, the persons with disabilities, as much as possible, to be employed in the open economy instead of in special protective (sheltered) enterprises.

According to the data of the Employment Service Agency as regards the registered employments of persons with disabilities, a significant positive trend in this field can be observed.

Namely, according to the available data, if in 2007, 47% of the PwDs were employed in the open economy, and 53% in the sheltered companies, in the last several years there is a trend of significant change (shift) in the structure and the type of employments, so that in recent years this ration is changing and now about 60% of the registered employments of persons with disabilities during the year are in the open economy. The efforts will be in the direction to maintain this positive trend and to further improve it.

Table 15. Registered employments of persons with disabilities (2007-2015)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total number of employments	636	705	784	687	616	609	360	544	576
Employments in sheltered companies	340	307	312	273	249	231	212	214	230
Other	296	398	472	414	367	378	148	330	346
% of employments in sheltered companies	53.5%	43.5%	39.8%	39.7%	40.4%	37.9%	58.9%	39.3%	39.9%
% of other employments	46.5%	56.5%	60.2%	60.3%	59.6%	62.1%	41.1%	60.7%	60.1%

Source: ESARM

2.1.3 Tackling informal employment

The participation of the informal employment in 2014 amounted to 22.6% and in 2015 the rate decreased to 19.9%. The following table shows that in the last few years, the informal employment rate has continually been decreasing. A bigger drop of 2.5 p.p. was noticed in 2012 and should be a result of the lower taxes, improved opportunities for simplified establishment of enterprises, easier access to capital, increased access to and exchange of public services data and databases, the use of IT opportunities by the services etc. However, informal employment rates are particularly high in the areas of agriculture and construction, among low-qualified and skilled agricultural workers, as well as among the self-employed and the young people.

Table 16. Informally employed

	2008	2009	2010	2011	2012	2013	2014	2015
Total num. of employed	609,015	629,900	637,855	645,085	650,554	678,838	690,188	705,991
Total num. of informally employed	174,025	169,916	166,814	160,957	146,295	152,805	155,993	140,642
Share of informally employed	28.6%	27.0%	26.2%	25.0%	22.5%	22.5%	22.6%	19.9%

Source: State Statistical Office, LFS

Bearing in mind that approximately 20% of all employed people are informally employed, they contribute to unfair competition and represent a barrier for job creation and development of small and medium-sized enterprises, and simultaneously, no protection for the right of the employees has been provided. For these reasons, tackling this phenomenon is one of the priorities and it is particularly emphasized in this strategic document (ESRP). Unregistered activities contribute to tax evasion as well as to rise of uncompetitive companies which directly influence the competitiveness of the other formal sector companies.

The important difference between informal and formal activities and attracting workers to engage themselves in the formal economy, is ensuring contributions for the compulsory social insurance of employees, as well as the responsibility and the obligation of the employers and the employees to respect the prescribed labour rights and obligations. Increasing formality and decreasing informality in the economy will contribute to greater protection of workers.

The Republic of Macedonia prepares an annual **Action Plan for decreasing the grey economy** which aims through involvement of great number of relevant institutions, mostly inspectorates, the Public Revenue Office and the ministries of labour and social policy, economy and finance in implementing coordinated activities under their authority, in order to contribute to decreasing the informal employment rate in the country.

In the past period, several other important measures that influence the reduction of the grey economy from different aspects have been implemented. The reduced tax burden on the labour force, the reduction of administrative barriers for companies affected positively the formalization of businesses, in December 2014 a Law on the Prohibition and Prevention of Carrying out Unregistered Activity was adopted. Incentives to enter the formal economy have been implemented, including measures to strengthen inspections, higher penalties and sanctions on demanding unregistered activity, strengthening the capacity of the State Labour Inspectorate, improving systemic and coordinated involvement of other relevant

institutional stakeholders and social partners in the fight against undeclared work, strengthening inter-institutional cooperation and exchange of data and information etc.

The need for raising public awareness, together with further strengthening of the capacities of relevant institutions and social partners in order to tackle informal employment more successfully and decreasing the number of informally employed people, still remains important priority in this area.

2.1.4 Improving quality of work and services of the Public Employment Service

In the past few years, the Employment Service Agency of the Republic of Macedonia (ESARM) continually works on increasing the number, the diversity, scope and quality of their services provided to the unemployed and the employers (preparation of an individual employment plan, counselling for employment in job clubs, skill trainings, organizing motivation trainings, employment mediation, introducing electronic communication and information sharing with its clients, continuous strengthening of the cooperation with employers, among other things, through introducing a job position within the job centres that is responsible for establishing and maintaining contacts with employers, implementing the project “Open day for new jobs”, organizing Employment fairs, Forums with employers, establishing direct contacts with companies, pupils in their final years of primary or secondary school, organizing info-meetings with young people etc.).

With the purpose of ensuring better access and approach in meeting the requirements of its clients that live further away from the nearest employment center, the ESARM has recently opened additional 21, so called dispersed offices of the employment centres.

In order to provide adequate service to the unemployed, ESARM introduced a **new profiling system** for the registered unemployed persons, and for the most difficult-to-employ clients it introduced preparation of specialized Individual Employment Plans (IEP 2), as an significant upgrade of the basic module for preparation of employment plans (IEP 1). The introduction of this approach is a useful way of channeling the limited human and financial ESA resources, to customers who are in the greatest need of assistance.

One of the most important activities conducted in continuity in the job clubs of the employment centres are the so called, motivation trainings used to motivate the unemployed persons, in particular the young, long-term unemployed and the people with low qualifications to use the ESARM’s services, through different activities such as acquiring information on the types of services provided by the Agency, trainings on CV preparation, trainings for job interview and for better self-presentation in front of the potential employers etc. The aim of these trainings is to increase the confidence, motivation and stimulation for employment within this category of unemployed people, as well as to improve their skills and knowledge on the manners of active job search and possibilities they have at their disposal.

One of the most significant activities implemented by the Employment Service Agency on annual level, aimed at providing specific relevant short-term indicators on the employers’ expectations for new employments and required skills that people should possess in order to become competitive on the labour market, is the implementation (carrying on) the *research*

and analysis of required skills on the labour market. This research aims to increase the information and understanding about the conditions and anticipated changes on the labour market, through obtaining information directly from the employers, regarding the needs for new employments in the following 6 to 12 months, as well as about the needs for specific occupations and skills.

The findings obtained from this survey could represent an excellent basis for creation of relevant active employment programmes and measures and other services for strengthening the skills of the unemployed persons, increasing their competitiveness on the labour market and faster employment. Those findings could also be highly beneficial for preparing local employment action plans and for proper shaping the enrolment schools policy, creation of new educational programs (curricula) for occupations that will be harmonized with the actual needs of the labour market.

In the forthcoming period, the Employment Service Agency of the Republic of Macedonia needs to continue to further strengthen its own physical and IT capacities, as well as its human resources, through activities for further improvement of the capacities for monitoring and forecasting the labour market trends, planning, design, implementation of employment measures, improving monitoring and evaluation of ALMMs, intensifying inter-institutional cooperation, as well as providing more active inclusion of the social partners in the process of creating and implementing employment policies.

2.1.5 Strengthening social dialogue in RM at tripartite and bipartite level, at national and local level, improvement of the collective bargaining

The social dialogue in the Republic of Macedonia has already been established and has been functioning at tripartite and bipartite level for a longer period of time. The tripartite social dialogue was established with the foundation of the Economic and Social Council (ESC) at a national level and later on began the process of establishing also the Local Economic and Social Councils (LESC), as tripartite consultative bodies at national and local level.

The ESC at national level is a tripartite body formed by the Government of the Republic of Macedonia and its social partners (employer organizations and workers' organizations - trade unions).

The current ESC of the Republic of Macedonia was established on 25 August 2010 by signing the Agreement for Establishing ESC by the Government and its social partners – the Macedonian Employers Organization (ORM), the Association of Trade Unions of (SSM) and the Confederation of Free Trade Unions of Macedonia (KSS).

The social dialogue includes various negotiations and consultations or simple exchange of information between governmental representatives, employers and employees regarding issues of interest to them and which refer to economic and social policies.

For establishing and proper functioning of the social dialogue, it is needed to exist a legal framework, institutional conditions, i.e. existence of specific, independent and strong employers' and workers' organizations with developed resources and capacities, as well as other prerequisites essential for achieving efficient and effective social dialogue, and above all, a political will, establishing and respecting the freedom of employees and employers association, collective bargaining, mutual cooperation, reciprocal tolerance and respect for the interests of social partners in creating policies and in the collective bargaining process at all levels.

Social dialogue is a crucial, irreplaceable mechanism and mean for achieving consensus on various issues in the domain of economic and social policy.

The social dialogue will be further reinforced through strengthening the capacities of all stakeholders and target groups for a more effective and efficient social dialogue, promoting collective bargaining on all three levels, as well as establishing and functioning of the system for peaceful settlement of labour disputes.

2.2 Human Capital and Skills

Introduction

Economic growth policies, labour market functioning, decrease of the unemployment and ensuring balance between labour force supply and demand, are tightly interconnected with the policies of education and training. For that purpose, the largest-scale reforms are being introduced in the area of education and training. The education system has mainly formal character, but its focus is also gradually being switched towards informal education and life-long-learning, which strongly contributes in developing skills and competencies required on the labour market.

The education system in the Republic of Macedonia consists of three sub-systems: primary, secondary and higher education. The Ministry of Education and Science is responsible for upbringing, education and training of all kinds and at all levels, as well as for the organization, financing, development and promotion of upbringing, education and science. The Republic of Macedonia also organizes preschool education which aims at social, mental and physical development of young children. Programmes cover children at the age of 3 or more because children at younger age normally, do not satisfy the education criteria and in that period mainly the nursing role is prevalent. Preschool education is performed in kindergartens.

Primary education is realized in accordance with the Concept for nine-year primary education and the Law on Primary Education from 2008. Education is compulsory, free-of-charge and non-discriminatory on any grounds. The basic mission of this sub-system is to raise, educate and direct and it is realized in public institutions – primary schools. The primary education lasts nine years and is realized in three educational periods: the first period from first to third grade, the second from fourth to sixth grade and the third period from seventh to ninth grade.

Curricula and programs are prepared by the Education Development Bureau and are based on learning targets for each programme field in each subject in accordance with the Bloom's taxonomy.

Adapted curricula in accordance with the Cambridge International Examination Centre programmes from Great Britain for mathematics and natural sciences, were introduced in all primary schools in the first period (from first to third grade) in school year 2014/15. Adapted curricula are characterized by spiral curriculum, scientific research and problem solving.

Monitoring and evaluation of the progress and success in achievements of pupils in elementary education is performed with internal, and from 2012/2013 with external testing conducted by a specific institution for conducting national and international testing – the State Examination Centre and the process is performed electronically.

Table 17. Students and teachers in regular primary schools

School year	PUPILS				TEACHERS	
	Total	Female pupils	Pupils who completed school		total	women
			total	Female pupils		
2008/2009	215,078	104,012	26,915	13,092	16,205	10,359
2009/2010	208,980	101,150	25,730	12,316	16,403	10,703
2010/2011	201,914	98,006	24,512	11,969	16,946	11,092
2011/2012	197,859	96,367	23,786	11,642	17,233	11,382
2012/2013	194,055	94,309	22,955	11,147	17,424	11,650
2013/2014	190,541	92,542	21,355	10,365	17,624	11,820

Source: State Statistical Office

Secondary education may be a general high school, with the duration of four years, a vocational education (VET schools) with the duration of two, three or four years, an art school or a school for students with special needs. Activities and responsibilities of secondary education are regulated by the Law on Secondary Education and the Law on Vocational Education and Training. From the school year 2008/2009, the secondary education is compulsory for students, as one of the measures of the Government for raising the level of the citizens' education. Out of the total number of 22,955 pupils completing elementary education in the school year 2012/2013, 21,487 students were enrolled in secondary education in the academic year 2013/2014⁵. One of the reasons for non-enrolled students in secondary education is due to the fact that the whole families emigrate abroad, not just the parents. Secondary education is realized within public secondary schools where education is free-of-charge and in private secondary schools where parents pay for the education of their children.

The general high school education has a general educational character and enables students to gain wider knowledge and understanding and it also prepares students for further education at a higher level and less often, for entering the labour market. Curricula and programmes are prepared by the Bureau for Development of Education.

Most of the students in vocational schools are oriented to choose their future profession. Simultaneously, with the choice of the state graduation (matriculation), they are given the opportunity to continue studying at a higher education institution. The majority of activities related to the vocational education and training are under the authority of the **Centre for Vocational Education and Training**, which is a public institution established in order to develop vocational education and training, to prepare standards for occupations, that are the base for preparing curricula and programmes and to propose measures for improving the quality of teaching of VET subjects.

Completing two-year and three-year vocational education and introducing profiles in accordance with the needs of the labour market enable higher frequency on the labour market. In this respect, the Concept for Vocational Training of two years duration and the Concept for Vocational Education for Occupations (with three years duration) were introduced. Students are given the opportunity of vertical mobility from occupations and educational profiles of three years duration into educational occupations and profiles of the four-year education.

⁵ State Statistical Office

Curricula and programmes of general subjects are prepared by the Bureau for Development of Educational, whereas vocational subjects are prepared by the VET Center. Curricula are defined through objectives and expected learning outcomes for each subject separately.

Considering the situation of the vocational education and the preparation of students to meet the demand of the labour market with their abilities, significant reforms were introduced in 2011. The *Strategy for Vocational Education and Training in the context of lifelong learning 2013-2020* and the *Strategy for Entrepreneurial Learning* were developed and adopted. On the basis of conducted analysis of the labour market needs for the production sectors (MLSP and the World Bank “New Skills for New Jobs”) and within the reforms for the three-year vocational education and the two-year vocational education, 82 occupational standards have been developed so far and represent an instrument for linking the labour market with the education, as well as 25 standards for vocational qualifications. On the basis of prepared documents, 12 educational profiles of three-year vocational education and one educational profile with the two-year education have been reformed. The preparation of these new educational profiles was based on the Methodology for Preparation of Occupational Standards and the Methodology for Development of Educational Programmes (curricula and programmes). For the first time, reformed curricula of new educational profiles are based on the learning outcomes.

Starting from the real situation on the field, and the understanding that vocational education is more focused on knowledge and less on practical skills and competencies of students, the number of classes for practical training was increased. The reform points out that practical training can be realized in schools and 1/3 of the total number of classes must be realized with an employer verified (approved) for performing student practical training. The enterprise/company where practical training is realized must fulfil certain requirements regarding space and equipment and must have proper professional and other staff (mentors), in accordance with the prescribed standards⁶ set down in cooperation with the Craftsman Chamber. Before starting the practical training within the employers, a contract is being signed between the student or the parent/custodian, the vocational education and training institution and the employer. There are special trained mentors that lead and assist students within the company, in order to successfully complete the practical training within the employers. In this way, also the cooperation between employers, education and training institutions, as well as chambers has been strengthened.

The reforms have also contributed to increasing and promoting skills of teachers and mentors for practical training within institutions and companies, all with the purpose that the education and training can better meet labour market needs.

Monitoring and evaluation of progress and achievements of students is conducted by internal and external testing. After completing vocational training, students take a vocational training exam in front of a Commission, comprised of teachers and employers’ representatives delegated by chambers. After completing vocational education for occupations, students take a final exam composed of a theoretical and practical part. The theoretical part of the exam is taken internally and the practical part test is taken in front of a Commission comprised of teachers and employers’ representatives delegated by chambers.

⁶ Standard for professional and other staff for performing practical training within employers and the Standard for equipment and facility (premises) conditions for performing practical training of students within employers.

After completing high school, technical or art education with the four-year duration, students take the State Examination (matura) which is a pre-condition for enrolment into higher education or a school exam/final exam – a pre-condition for entering the labour market. Final exams consist of an obligatory part, an optional part and a project task.

Table 18. Students and teachers in regular secondary schools

School year	STUDENTS				TEACHERS	
	total	Female students	Students who completed school		total	women
			total	Female students		
2008/2009	93,164	44,643	24,210	11,170	6,832	3,953
2009/2010	94,284	45,725	25,345	11,941	7,008	4,041
2010/2011	92,848	44,773	24,846	11,551	7,197	4,225
2011/2012	91,167	43,760	25,758	11,996	7,298	4,238
2012/2013	88,582	42,506	25,546	11,916	7,442	4,382
2013/2014	84,827	40,649	23,936	11,100	7,421	4,335

Source: State Statistical Office

At the end of the school year 2013/2014, the number of pupils in elementary schools was 190,541 representing a decrease of 1.8% in comparison with the previous year. In secondary schools the number of students was 84,827 representing a decrease of 4.2% in comparison with the previous year. These trends are mainly influenced by the decreased fertility rate.

Table 19. Fertility in the Republic of Macedonia

	2000	2002	2006	2008	2009	2010	2011	2012	2013	2014
Total number of newborns	26,168	24,154	22,585	22,945	23,684	24,296	22,770	23,568	23,138	23,596

Source: State Statistical Office

Pursuant to the Law on Decentralization, the local government (municipalities) is responsible for establishment and management of schools, whereas higher (tertiary) educational institutions are autonomous and independent.

Ensuring quality in education is performed through an external evaluation by the State Education Inspectorate and the Board for Accreditation and Evaluation in Higher Education, established as an independent body in 2002, as well as through the process of self-evaluation. All educational institutions (schools and faculties) are obliged to implement self-evaluation.

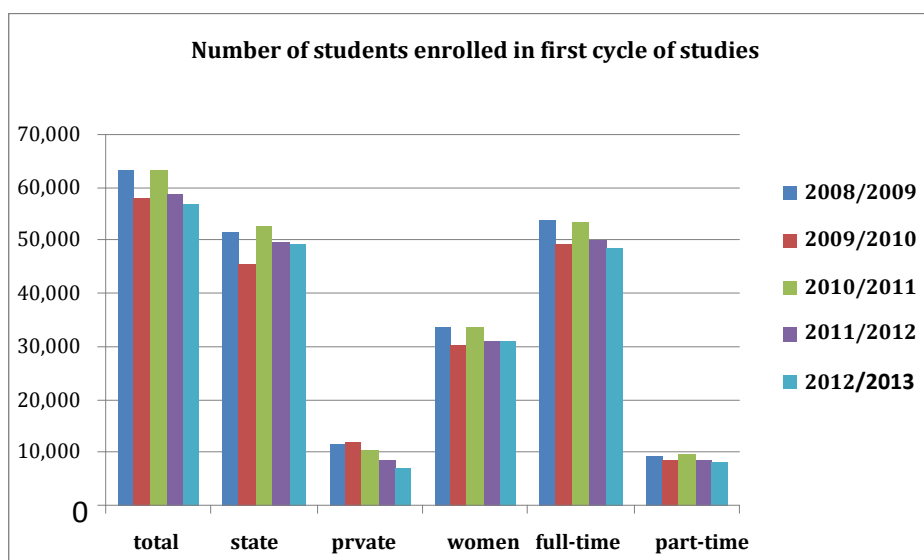
The education system also covers children with special needs who are involved in the regular classes or study in specialized schools, depending on the type of the need and student's preference. Teaching is realized according to adapted curricula and programmes, suitable for the type and level of children's educational needs. Curricula and programmes for students with special needs for elementary education and for general-subjects in secondary education are developed by the Bureau for Development of Education. Curricula and programmes for vocational subjects in VET are prepared by the Vocational Education and Training Centre.

Higher (tertiary) education is organized in three cycles (undergraduate, postgraduate-master and doctoral studies), based on ECTS (*European Credit Transfer and System*) credits and issuing Diploma Supplements in accordance with the requirements of the Bologna process.

Starting from the academic 2008/2009, first and second cycle study programmes have been reformed, and from academic 2012/2013 the reformed third cycle of doctoral studies in accordance with the Salzburg I and II principles has been implemented. These activities are regulated by the Law on Higher Education. There are 5 state and 11 private universities in the Republic of Macedonia. Pursuant to the Law on higher education institutions of religious communities and the Law on Higher Education, the Orthodox theological faculty and the Faculty of Islamic sciences were established. All study programmes are based on learning outcomes.

Integrated studies have also been introduced, but one of the most significant reforms is the introduction of higher education practical training, in order to improve the skills and competencies of students. Higher education activities are organized within autonomous and independent higher educational institutions and institutes. The National Framework for Higher-Education Qualifications adopted in 2010 was the instrument shaping the reforms in the higher education. The Framework consists of five level descriptors, in accordance with the Bologna descriptors.

Graph 5. Students enrolled in first cycle of studies
(2008/2009 to 2012/2013)



Source: State Statistical Office

Табела 20. Students enrolled in first cycle of studies in the academic year 2013/2014

	Mode of studying	Total	Gender		Year of studies						Graduating (senior) students
			men	women	I	II	III	IV	V	VI	
TOTAL	total	57,746	26,296	31,450	19,173	12,427	13,435	7,811	584	190	4,126
	regular (full-time)	51,278	23,446	27,832	17,296	11,149	11,650	7,018	583	190	3,392
State (public) higher (tertiary) education institutions	total	51,093	22,323	28,770	16,691	10,573	11,456	7,668	569	190	3,946
	regular (full-time)	45,791	20,169	25,622	15,215	9,589	10,061	6,895	568	190	3,273
- Higher vocational schools	total	774	181	593	209	140	376	-	-	-	49
	regular (full-time)	580	161	419	182	118	251	-	-	-	29
- Faculties	total	50,319	22,142	28,177	16,482	10,433	11,080	7,668	569	190	3,897
	regular (full-time)	45,211	20,008	25,203	15,033	9,471	9,810	6,895	568	190	3,244
- Religious faculties	total	269	156	113	79	62	49	42	-	-	37
	regular (full-time)	169	99	70	57	43	26	22	-	-	21
Private tertiary institutions	total	6,384	3,817	2,567	2,403	1,792	1,930	101	15	-	143
	regular (full-time)	5,318	3,178	2,140	2,024	1,517	1,563	101	15	-	98
- Higher vocational schools	total	275	174	101	107	80	66	-	-	-	22
	regular (full-time)	167	97	70	73	47	40	-	-	-	7
- Faculties	total	6,109	3,643	2,466	2,296	1,712	1,864	101	15	-	121

Source: State Statistical Office

Table 21. Graduated students in 2013

	Total		Regular (full-time) students		Part-time students	
	total	women	total	women	total	women
TOTAL	9,480	5,337	7,802	4,381	1,678	956
- Public tertiary institutions	7,307	4,370	6,041	3,592	1,266	778
- Private tertiary institutions	2,144	960	1,738	783	406	177
- Religious faculties	29	7	23	6	6	1

Source: State Statistical Office

A total number of 57,746 students enrolled in academic year 2013/2014, representing an increase of 1.5% in comparison with the previous academic year 2012/2013. The number of female students was 31,450 or 54.5% which is an indicator demonstrating that the equal access to education is provided, regardless of the gender. The largest number of students, or 88.5% are enrolled in state (public) tertiary education institutions, whereas 11.1% are enrolled in private higher education institutions.

In 2013, the number of graduated undergraduate students was 9,480 and compared to 2012 the number decreased by 8.8%. The percentage of graduated women was 56.3% or 5,337. About 82.3% of the total number of graduated students were full-time and 17.7% were part-time students.

In order to ensure a wider coverage of students in the education system, as well as to decrease the rate of early school leaving, the Government of the Republic of Macedonia started with the realization of several important projects for providing free-of-charge textbooks, free transportation, free accommodation, introducing the financial benefit (conditional cash transfer benefit) for students from the families at social risk / social assistance beneficiaries (with the only pre-condition to receive the benefit being the regular - full-time attendance at school), granting scholarships to students from various vulnerable groups (pupils/students with disabilities, students from socially disadvantaged families, students-children without parents and parental care, Roma students etc.), providing mentors and tutors for Roma students etc.

Pursuant to the Law on Higher Education, the higher (tertiary) education institutions do not charge fees to students without parents and parental care, to people with first or second level of disability and to war invalids. Participation fees for these students are provided by the Budget of the Republic of Macedonia. In accordance with the National Policy for ensuring equal access to higher education, social cohesion and life-long learning, the "Project 35/45" was introduced for enrolling students at the age from 35 for women and 45 for men. Furthermore, dispersed studies from faculties were opened in a number of cities throughout Macedonia in the past few years.

Republic of Macedonia gives special priority to adult education and the activity is regulated by the Law on Adult Education and the Law on Vocational Education. The activities for adult education and training are realized within the **Center for Adult Education**, the institution responsible for adult education and training. A Strategy for Adult Education 2010-2015 was prepared followed by the current adoption of the Concept for Informal Learning and the Concept for Adult Elementary Education. Since 2012, adult education has been realized according to specific programmes verified by the Centre for Adult Education with specific Rulebooks (by-laws), in verified (approved) institutions and organizations. Institution/organization verification is done by the Ministry of Education and Science in accordance with specific Rulebooks. Specific adult education programmes are based on learning outcomes and are prepared according to a Model of specific programmes for adult education. In total 105 specific programmes and 30 institutions for adult education have been verified.

The harmonization of the education and training with the labour market, the youth employment, adult qualification training, ensuring quality of the whole process contributed to the preparation and adoption of the **National Qualifications Framework for life-long learning (Macedonian Qualifications Framework)** in 2013, as an opportunity for mobility of participants in the education and training process, an opportunity for employees and businesses to operate within global markets and an opportunity for life-long learning in order to deepen knowledge, skills and increase the qualifications of participants in the learning process. The corresponding Law on the National Qualifications Network was also adopted.

Key challenges

2.2.1 Ensuring fully inclusive education and equal access to education for all

It is of an exceptional importance to ensure equal access to the education system and a quality education to all children, regardless of their origin and differences. The inclusive education systems increases accessibility of education for every child and creates conditions for quality education that suits the needs and abilities of each student. Inclusive education approaches should ensure essential and content changes in schools, which relates to the material, financial and staff readiness of schools to meet the needs of different students that attend regular classes. It is essential that all students are provided with curricula and teaching aids adapted to their individual capacities and needs and which suit their affinities, so that they are valued as school community members and observed as its integral members. So far, various activities for ensuring equal access to education for all have been undertaken and such activities will continue to be implemented in the forthcoming period.

Drop-outs from the educational process and the existence of persons who have prematurely (early) leave the educational process (early school-leavers), could be considered as one of the reasons for increasing unemployment, having in mind that the persons enters life cycle without having gained certain knowledge, skills and competencies that will be essential for its employment.

There are two tables presented below, that give a certain overview of the situation in primary and secondary education, in relation to the number of pupils/students at the beginning and at the end of the school years and students who drop out/leave school.

Table 22. Students in regular primary and secondary schools, by school years

School year	STUDENTS							
	Primary education				Secondary education			
	at the beginning of the school year		At the end of the school year		at the beginning of the school year		at the end of the school year	
	total	female	total	female	total	female	total	female
2010/2011	204,439	98,951	201,914	98,006	94,155	45,292	92,848	44,773
2011/2012	198,856	96,433	197,859	96,367	93,064	44,884	91,167	43,760
2012/2013	195,311	94,695	194,055	94,309	89,884	42,975	88,582	42,506
2013/2014	191,051	92,461	190,541	92,542	86,418	41,186	84,827	40,649
2014/2015	192,165	93,106	188,361	91,397	83,522	40,376	81,788	39,533

Source: State Statistical Office

Table 23. Students who dropped out of (leaved) school during the school year

School year	STUDENTS					
	Primary education			Secondary education		
	total	left	dropped-out	total	left	dropped-out
2010/2011	2.163	1.771	392	1.496	823	673
2011/2012	1.888	1.590	298	1.456	969	487
2012/2013	2.094	1.720	374	1.708	1.082	626
2013/2014	2.405	1.807	598	1.715	1.107	608

Source: State Statistical Office

From the presented tables it could be noted that there is a presence of drop-outs / terminations from school, i.e. the number of students in primary and secondary education who leave school, mainly due to the social circumstances of their families or as a results of the emigration of whole families from the country abroad.

The data from the State Statistical Office obtained from the Labour Force Survey, show that the percentage of persons, so-called **early school leavers** in 2015 was 11.4%. A significant improvement can be noticed regarding the situation in the country in this area, and the significant decrease in the number of these persons in the past few years. This situation is primarily due to the introduction of compulsory secondary education, and with these rates (values), the Republic of Macedonia is at almost the same level with the average level calculated for the Member States of the European Union (EU28).

Table 24. Early school-leavers*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
percent	22.2	19.9	19.6	16.2	15.5	13.5	11.7	11.4	12.5	11.4

Source: State Statistical Office, LFS

* share of the population aged 18 to 24 with no or with at most lower secondary education and not in further education or training

The state is undertaking a series of measures and activities for further improvement of these conditions and for prevention or reduction of the students' dropout rates and further improvement of the situation in respect to the persons – early school-leavers. Among other, cooperation with the parents has also been strengthened in order to gain and strengthen the trust between parents and school employees, so that parents and the community can be involved in the school life, but also the school to be involved in the community life. In addition, numerous financial incentives have been provided for parents from vulnerable groups through conditional cash transfers for socially disadvantaged families whose children regularly attend classes, scholarships, free-of-charge text-books, transport, accommodation and so on. All these measures and activities are giving the expected results and will continue to be implemented in the coming years.

In addition to this, one of the important indicators on the coverage of population with the education system, and on the educational structure, in general is the **share of persons aged 30 to 34 with completed higher (tertiary) education**. Together with the rate of early school leavers, these represent the two main indicators in the field of education, also within the EU strategy for smart, sustainable and inclusive growth "Europe2020".

Table 25. Share of persons (30-34)
with completed higher (tertiary) education,
within the total number of persons in this age group

	2014	2015
Total number of persons (30-34 yrs. old)	162,460	163,816
Persons with completed tertiary education	38,430	45,459
Share (%)	23.60 %	27.75 %

Source: State Statistical Office, LFS

In relation to this particular indicator, although the situation is still far from the target that the European Union has set out in its *Strategy "Europe2020"*, the Republic of Macedonia has noted a permanent improvements and positive results in this field, as well, and the situation in the country is at a level that is close and comparable to the level that exists in many Member-States of the Union. It is expected that the measures and reforms that will continue to be undertaken and implemented in the education system, will contribute to future improvements of the results in this part, as well.

2.2.2 Implementation of the National Qualification Framework for lifelong learning – basis for insuring quality in the system of education and training

The National Qualifications Framework (NQF) is a unique, integrated and systematically organized structure for systematization, description and development of qualifications. It represents an opportunity to achieve the balance between the services provided by the education and training and the labour market requirements for knowledge, skills and competencies. Simultaneously, it is an instrument for ensuring quality, because approving qualifications that will be included in the National Framework, will lead to fulfilling certain quality standards and quality criteria. The quality of processes related to the NQF contributes to credibility and transparency of qualifications within the NQF.

The Framework is basis for development of new standards for of qualifications and competences, preparation of new competence based programmes and plans (curricula), introducing modular learning and training programmes, accumulation and transfer of credits, reviving the post-secondary vocational education and training. All this, with the purpose of improving horizontal and vertical mobility for people involved in education and training and on the labour market.

Developing curricula should be based on conducted labour market analysis that should be carried out with the assistance and involvement of the business community and taking into consideration regional and local requirements and individual needs. Newly prepared curricula must be based on learning outcomes.

2.2.3 Strengthening the employability of the work force and building learning pathways in the context of lifelong learning

The fast technological developments brought substantial changes in relation to the labour market requirements for skills and competences. The current profiles and occupations, as well as skills and competencies offered by education do not fully match the labour market needs. There are also reactions from the business community that profiles produced by VET do not satisfy their needs, not only regarding necessary skills but also in respect to the profile types.

In respect to the attractiveness of the VET, the data published by the State Statistical Office show situation that has significantly changed over the last ten or fifteen years. If in the year of 2000, the ratio between the number of students in vocational and general high school education was 65% in vocational, as opposed to 35% of students enrolled in general high

school education, in the meantime, the interest for the general high school education has increased, and therefore the number of general high school classes has increased, and the ratio began to change (decrease) significantly. It could be said that in the last decade, there is an evident trend of increased interest and pressure of students to enter general high school. Nowadays, that ratio amounts to 58.78% versus 41.22% in favor of the vocational education.

Such situation indicates to the need for undertaking appropriate measures, policies and reforms that would lead to gradual change of the perception and interest among young people in favor of the vocational education, and for it to become attractive to students, but also, in the same time, to be made much more relevant to the conditions and the needs that the today's economy and the labour market are facing, in general.

Table 26. Participation in the vocational education and training

	2008	2009	2010	2011	2012	2013	2014	2015
Total number of students in regular secondary schools	92,753	93,164	94,284	91,595	91,167	88,582	84,827	81,788
Students in general high-school education	37,760	38,071	38,576	37,655	37,072	36,216	35,000	33,714
Students in VET	54,993	55,093	55,708	53,940	54,095	52,366	49,827	48,074
Participation of students in VET	59.29%	59.14%	59.09%	58.89%	59.34%	59.12%	58.84%	58.78%

Source: State Statistical Office, *Statistical yearbook*

The Vocational education and training should satisfy the needs and interests of different groups of beneficiaries. In that respect, a development of different pathways and opportunities for education and training which will help these groups to acquire new or upgrade their existing qualifications/competencies is needed, and this could be achieved by introducing a high level of flexibility in the approach and in provision of educational services. Introducing flexible learning pathways actually entails **integration of formal and informal learning**.

The new qualifications and skills imposed the need for further training or retraining of people in accordance with the labour market needs, through the means of short-time courses and trainings. Stimulating such programmes for short-time and dynamic courses will make the vocational education and training system more flexible, leading to enhanced and improved opportunities for quick reaction and meeting the labour market needs by providing the required skills.

Teaching and learning must not lag behind changes in the work and everyday life. They need to develop with them, in particular, the practical training in vocational schools which is the most important segment for acquiring skills and competencies.

The requirements for building new skills involve changing the current ways of teaching and learning – they require a new approach to learning. In this regard, what is also necessary is the continuous training and upgrade of the teachers, strengthening the support for teachers and trainers, developing new models for creating and using the contents and developing new pedagogical methods in the implementation of practical training, bringing closer to the students the importance of their profession.

2.3 Social Inclusion and Social Protection

Introduction

The social protection is defined as a system of measures, activities and policies for preventing and overcoming the basic social risks to which the citizen is exposed to during his/her lifetime, for decreasing poverty and social exclusion, as well as for strengthening persons' capacities for its own protection.

The social protection system in the Republic of Macedonia is continually promoted in order to ensure efficient access to rights and services for the most vulnerable categories of citizens. In this respect, social protection is realized through implementing measures for preventing emergence and decreasing consequences from social risks for citizens, providing finances and introduction and development of social protection services (professional services by experts and expert's teams, placement in care services for institutional and non-institutional protection).

The Government of the Republic of Macedonia adopts specific programmes with measures for subsidizing energy consumption and other public utilities, conditional cash transfers for regular secondary school attendance of children from households-social assistance beneficiaries, for employing persons who until the age of 18 had the status of children without parents and parental care, measures for subsidized employment of social assistance beneficiaries etc. These programmes more closely and in more detail determine and establish the users (beneficiaries), specific measures, responsible implementing institutions and sources of funding.

In order to provide better social security for the materially the most deprived families, the amount of the social financial assistance benefit and the permanent cash benefit, was continuously increased once a year for 5% in 2013 and 2014, whereas, for 2015 the amount of these benefits had been increased for 10%. Also, additional measures for improving the protection of persons at risk of social exclusion have been continuously undertaken, by introducing the social protection rights to new financial benefits and development of the social services. Thus, in order to improve the conditions for everyday functioning of persons with disabilities, the rights to benefits for mobility, blindness and deafness have been introduced. In 2015, the Ministry of Labor and Social Policy increased the special allowance for materially deprived parents of children with disabilities for 25%, and also a new allowance of 8,000 denars was introduced for parents who have children with development impediments and who shall take care for their children in the following 15 years without placing them in an institution, in case they do not acquire the right old-age or other type of pension. Starting from June 2015 the allowance for subsidizing the cost for persons placed in foster-care families and the allowance for foster-care providers have been increased for 25%.

The state fulfills its social function through the network of public institutions for social protection. The system for social protection is comprised by the Social Work Centres (30), which have public authority to perform the activities in the field of social protection.

The institutional social protection is being provided in 10 social protection institutions (providing care to persons with intellectual or physical disability-369 persons have been placed, children without parents and parental care-accommodating 232 children, the elderly –where the services are being used by 570 persons).

Recently, the system for social protection has been mainly oriented towards developing and strengthening the *non-institutional forms of care* for the socially vulnerable groups, through establishing services for daily and temporary care. There are continuous efforts to further improve child care in the foster-care families (217 foster families have been registered, providing care for 287 persons, out of which the majority, i.e. over 85% are children), strengthening the potential of the biological families to provide care for its family members, providing and supporting organized living with support in housing units, small group homes or other alternative forms, that will correspond with the specific needs of the beneficiaries within the community (the elderly, persons with intellectual or physical disability, homeless persons, victims of domestic violence, children on the streets, drug users etc.).

So far, the Ministry for labor and social policy has opened 32 day-care centers - social service centers for children with disabilities, two day centers for street children, two small group homes for children without parental care and children with educational and social behavioral problems, one center for homeless persons, four shelter centres for victims of domestic violence, 12 day-care centers for elderly, three centers for providing home-based assistance to elderly, two day-care centers for addicts from psychotropic substances. Besides this, the Ministry has been financially supporting other day-care centers (in total 6) that are managed by the civil organizations and which provide protection/services to persons with intellectual disability older than 18, as well as one additional shelter center for immediate and urgent placement of victims of family violence and one day-care center for street children. Currently, the number of users from different vulnerable categories covered with the services provided in these centers and other mentioned alternative form of care and service provision introduced and established throughout the whole country is over 1,770. This number does not include the persons placed in the housing units for organized living with support, which are established within the framework of the deinstitutionalization process.

The National Strategy for *deinstitutionalization* is currently being implemented mostly within the Public institution for social care of persons with intellectual disabilities "Demir Kapija". So far, the number of persons relocated from this Institution to the housing units for supported organized living is 59. The supported organized living has been provided for persons with intellectual disability in 16 housing units where 76 users have been placed (in Negotino - 9 housing units, in Skopje - 7 housing units). This service has been implemented by the civil organization "Poraka" from Negotino, and with the financial support provided through an agreement with the Ministry of Labor and Social Policy. The Institution for children without parents "11 Oktomvri" – Skopje, also has established 4 housing units for supported organized living, where the children are being prepared for an independent life after leaving the institution.

The social care centers have public authority, administer the financial social protection allowances and benefits and provide social services. The management of the social protection cash benefits rights is completely alleviated through the established system for exchange of information between the institutions that keep records and databases necessary when initiating procedures for acquiring social protection financial benefits rights.

In accordance with the Action plan for opening new dispersed units of the Social Work centres, even greater access was provided to social protection services for the citizens, especially for those who come from rural areas, the elderly and disabled persons.

Functional analyses have been prepared for the SWCs in order to strengthen the capacities of these institutions responsible for providing quality services for its citizens. In line with the

identified shortfalls, new organizational structure of the centers has been defined in order to improve the performance of these institutions and to provide improved, higher quality services for the citizens.

The capacities of the system for social protection are being improved and strengthened also through *the process of licensing experts within the system for social protection*. Within the framework of this process, by the end of 2015, the total number of 844 experts/professionals have obtained work license, and they within the period of 5 years, which is the validity period of the license, have to ensure 100 classes of continual training, in line with the Program for continuous education of experts within the system of social protection, prepared by the Public Institute Social Activities - Skopje.

The process of *decentralization* in the field of social services is still in the initiating stage. The municipalities still not sufficiently recognize its social function in developing and adopting their own programs in the field of social protection, for the purpose of organizing and providing social protection for the citizens from its territory, and in developing community-based social services.

The Law on Social Protection enables the process of *pluralization in providing social services*, but in practice they are mainly obtained by the state. There is a lack of initiative by the municipalities to establish institutions for institutional care or the non-institutional social protection, whereas in the part of private initiative, the same has been significantly improved and gives positive results, mainly in the segment of establishing private homes for elderly. This is mainly a result of the benefits and measures adopted by the Government for selling non-constructed land site with a starting price of 1 denar for m² for the purpose of building homes for elderly, decreasing the communal construction tax for 95%, obtaining favorable credit lines for construction, use of the fund provided within the IPARD program for developing rural areas, and linking these activities with the employment measures implemented by Employment Service Agency of the Republic of Macedonia. In that direction, so far in our country, besides the five public institutions for institutional placement of elderly, currently the national capacities have been enlarged for additional 17 private licensed institutions for social protection of elderly. The total capacity in these homes for elderly persons amounts to 1,167 beds, out of which 624 within the public, and the remaining 543 - within the private homes for elderly⁷. These activities and efforts shall continue in the future and there are already ongoing procedures for opening new private homes for elderly.

The Ministry of Labor and Social Policy have established a Register of the civil organizations working in the field of social protection and currently the total number of enlisted (registered) associations working on different issues in the field of social protection is 75. Within the framework of the activities for *strengthening and support of the civil sector*, public announcements for supporting (providing financial support to) projects implemented by non-governmental organizations working in field of social protection have been regularly announced, as for example, projects for activities of the day-care centers for persons with intellectual disabilities over the age of 18, project for day-care centers for street children, projects for protection of victims of family violence etc.

⁷ Source: MLSP; situation: end of 2015

In 2015, the amount of the financial funds coming from raffle games and transferred for supporting the national disability organizations has been increased for 10%, that is, 66.000.000 denars have been provided for funding the activities of national disability organizations, together with the organizations fighting family violence and of the Red Cross of the Republic of Macedonia, as well.

In the present period, there is an intensive work going on in Macedonia on *developing and supporting social entrepreneurship*. Within the framework of the project on „Supporting the development of the legal framework for social entrepreneurship within the Republic of Macedonia”, implemented with the support of the British Embassy and aimed to enlarge the opportunities for employment and social inclusion of the socially marginalized groups, two important analyses have been prepared, i.e. the „Analysis of the conditions and opportunities for regulating the social entrepreneurship in Macedonia”, with specific recommendations and options, and the “Comparative analysis of the legislation relevant for the development of social entrepreneurship in the R.M”. Also, a draft version of the *Law on social entrepreneurship* has also been prepared within the framework of one inclusive and participative process including a number of relevant stakeholders, national and international experts. The draft legislation, supported by the prepared impact assessment of the proposed regulation, will be available for a public debate/consultation. In this area, substantive and valuable assistance and expert support is and will be further provided through the IPA instrument of the European Union.

There was a new *Law on Prevention and Protection against Domestic Violence* prepared and adopted, which has been the first systematic law in this field, providing for an improvement and fully established and coordinated system for prevention, protection from and combating domestic violence.

For the development in the field of social protection and social inclusion, there are several corresponding *national strategic documents* that have been prepared and implemented, as for instance: the Program for development of the social protection 2011-2021, National strategy for reducing poverty and social exclusion 2010-2020, National strategy for equalizing the rights of persons with disabilities 2010-2018, National strategy for elderly 2010-2020, National strategy for deinstitutionalization, and for the purpose of regular monitoring and evaluation of their implementation, there are special multi-sectoral national coordinative bodies and groups that have been established and are functioning.

Within the system for *child protection*, the care for preschool children has been provided in kindergartens, as well as financial reimbursement rights (benefits) - children’s allowance, parental allowance for a child, one-off financial assistance for newborn babies and a special allowance for children with developmental impediments, in accordance with the provisions of Law on Child Protection.

Childcare and education of preschool aged children has been provided within the total of 65 public institutions for children - kindergartens, and 4 public centers for early child development, distributed in 58 municipalities. There are also 33 private institutions, out of which 20 are private kindergartens, 7 are private centers for early child development and 6 kindergartens structured as organizational units within the legal entities (companies) and private schools. With this, the service has been realized in 103 institutions, with the total of

294 objects and 2 agencies for providing child-care services to preschool children. From the mentioned total number, 65 objects are within the rural areas and provide preschool child care and education of children from rural, as a specific target group. The child kindergartens are being established by the Government of the Republic of Macedonia, by municipalities and the private sector, and the network of kindergartens is constantly expanding, and especially in terms of creating conditions for greater inclusion of children from small municipalities and rural settlements, in accordance with the Project for construction of 40 kindergartens in rural areas within the period of four years.

In the Republic of Macedonia, a considerable number of measures and activities are being intensively and continuously realized in the direction of improving the situation and the *social inclusion of Roma* within the country.

In view of the demographic profile, with a surface of 25,713 км², the Republic of Macedonia within 2013 had a population of 2,064,032 residents in 85 municipalities, and according to the last census from 2002, 62% from the entire number of population were Macedonians, 25.2% Albanians, 3.9% Turks, 2.7% Roma, 0.2% Serbs, with the remaining 3.8% - other groups. As a reflection of this multiethnic structure, the constitution of the country consists provisions that guarantee the rights of the nationalities. The Roma have been acknowledged as a nationality with all successive rights, freedoms and protection from discrimination. Located in the urban areas, the largest number of Roma residents live in Skopje, Prilep, Kumanovo, Bitola, Tetovo, Gostivar, Shtip, Kocani, and members of this nationality have been identified in more than 50 municipalities. Besides the official data on local level, very often, the non-governmental organizations express their conclusions and their belief that the actual number of Roma population is larger than what is officially presented. As a possible reason for the existence of discrepancies in relation to the official statistical data, is the significant number of Roma without identification documents, as well as their economic migration from one city to another and abroad, the absence of awareness among part of the Roma community for the importance of the census and other reasons.

Macedonia is a member of the Decade for inclusion of Roma 2005-2015, as a political engagement of the European governments to improve the socio-economic status and the social inclusion of Roma population, and as a platform joining the governmental, inter-governmental and non-governmental organizations and the Roma civil society, in order to facilitate the improvement toward better wellbeing of Roma and to initiate such improvement in a transparent and measurable manner. Within the framework of this process, the Government of the Republic of Macedonia undertakes all necessary measures at the level of creating and implementing policies and strategies, initiating improvement in the quality of life and the integration of the Roma in the society.

In 2004 the Government adopted the Strategy for Roma within the Republic of Macedonia, which covered the period from 2005 to 2014. The Strategy has established the priority areas for action in the forthcoming of ten-year period, and thus, the corresponding National action plans for education, health-care protection, employment and social housing were prepared, as well.

In 2004, a National coordinative body was established, as a structure that will have to closely and regularly follow/monitor and provide direction to the implementation of the strategies and policies for social inclusion and integration of Roma.

There are more than 15 local (municipal) strategies and action plans that have been developed in the past, for implementation of Roma Decade at local level. In 2011, upon the initiative of the Ministry of labor and social policy, a new specific Action plan for improving the status of Roma-woman within the society was developed. In the period 2011-2012, the Republic of Macedonia chaired with the Decade of the Roma Inclusion.

During 2014, in coordination of the Ministry of Labor and Social Policy and the minister without portfolio – the National coordinator of the Decade and the Strategy for Roma, a participative process was conducted, with the involvement of all relevant stakeholders, to revise and re-design the Strategy for Roma developed in 2005.

As a result of this process, the new Strategy for Roma has been prepared for the period from 2015 to 2020. The strategy has been prepared in accordance with the basic provisions of the EU Strategy “Europe 2020” and it covers the priority fields of employment, education, housing, healthcare and culture. In accordance with the Strategy, during 2015 the necessary action plans for the priority areas of the Strategy, were prepared, as well. The Action plans for employment, health care, education, housing and the action plan for strengthening the position of Roma-women have been adopted in 2016.

Health-care protection

Within the system of health care protection, health care service has been defined as service of public interest, which has been performed in an organized manner within the health care institutions (in certain cases, outside the institutions), by health care workers and health care associates. The health care institutions, which provide health care service, has been established and conduct health care protection as public- founded by the Government of the Republic of Macedonia and private - established by domestic and foreign, legal and natural entities.

The modernization and continuous improvement of the reforms within the healthcare sector, as one of the important (key) strategic priorities in this domain, provides:

- providing more quality and up-to-date healthcare protection for the population, applying sophisticated/modern health-care technology and also by the health-care workers whose personal skills and knowledge upgrade continues in eminent world-known health care centers;
- sustainable, integrated and efficient healthcare system, based on the principles of equality, solidarity and on the actual needs of the citizens, as well as
- creation of policy for future investment in the entire health-care system within the country.

One of the basic strategic objectives of the Ministry of Health is to provide quality, on-time and available healthcare protection of the population that has been provided in several levels, that is:

Level of preventive healthcare protection - 1 Public Healthcare Institute, 10 centers for public health with 21 regional units, established as public healthcare institutions.

The health system of these institutions has been financed, partly by the Health Insurance Fund of Macedonia, for citizens who are socially (health-care) insured, and partly by the State Budget of the Republic of Macedonia for program activities covered by the programmes adopted by the Government every year.

In this level, only in the field of social protection of the population from infectious diseases, an opportunity has been given to provide the service (activity) to other subjects, aside from

just the healthcare institutions, and to ones which fulfill the precisely established criteria, to perform the activities of disinfection, disinsection and deratization.

Level of primary healthcare protection - 34 healthcare centers and 2 healthcare stations established as public health institutions, with the activities being performed by 2,963 healthcare workers and 1,202 administrative-technical staff. Within the framework of these healthcare institutions function the patronage services, counseling centers for mothers and children, vaccination and the services for emergency medical aid, organized in working teams.

In the primary health-care, for the purpose of increasing the level of the quality of health protection, there is an ongoing wide-scope process for additional training/education and specialization of healthcare workers, with the aim to establish the institution doctor specialists in family medicine, i.e., a family doctor. Until now, 157 specialists have been trained, and for other 93 doctors, the training is ongoing. The remaining doctors who work in the primary health care, and are not specialists in family medicine, should finish with their training till 2020 at the latest.

In this level, as private health institutions, 3,183 doctor's offices have been established, out of which 1,405 are in the field of medicine, 1,290 have been general dental offices, and 133 polyclinics. All these abovementioned health institutions work within the network of health-care facilities whose services have been financed by the HIF of Macedonia. As private health institutions on this level function and work 174 dental laboratories.

Level of secondary health care protection functions as a specialist-consulting and hospital health-care protection in 13 general hospitals, 3 clinical hospitals, 7 specialist hospitals, 7 health centers and 5 institutes, established as public health institutions. Within this level, 8,715 health workers have been employed, out of whom 6,468 (64%) as medical and 2,247 (26%) as non-medical staff.

Within the level of a specialist-consulting and hospital health care protection, 264 specialist health offices have been established as private health institutions in the field of medicine, 224 specialist health offices in the field of dentistry, 26 polyclinics, 190 diagnostic laboratories, 2 dialysis centers, 1 general hospital, 8 specialist hospitals, 1 clinical hospital and one University stomatology clinical center. Part of these health institutions have been included within the network of health institutions.

Level of tertiary health care protection – with 28 university clinics and one University stomatology clinical center, all of which established as public health institutions and whose work has been conducted within the network of health institutions by 3,875 employees in total, out of whom 2,820 (72.7 %) as medical and 1,055 (27.3 %) as non-medical staff.

Health-care institutions from tertiary health care protection and some of the institutions from secondary health protection, have been, at the same time, educational ground floor (basis) for the higher educational institutions in the domain of medicine, stomatology and pharmacy.

Health insurance

The compulsory health insurance is provided to the citizens of the Republic of Macedonia by the Health Insurance Fund (HIF), in accordance with the provisions from the Law on health insurance and its bylaws. The Health insurance fund, together with its regional offices, provides health insurance for 1,058,665 insurers (out of which 486,116 are active employees, 19,077 are active agricultural workers, 283,658 pensioners, 17,159 unemployed, 238,739 persons insured thorough the Ministry of Health, 13,916 remaining (other) persons), as well as for 725,951 dependent-family members, i.e. leading to the total number of 1,784,616 insured persons. The Law on health insurance also introduces the compulsory

health insurance for the persons with the status of recognized fugitive and persons under the subsidiary protection.

The Law on health insurance, provides for the exemption from participation for delivered health-care services for certain socially vulnerable categories of citizens, such as: children with disabilities - in accordance with the social protection legislation, the permanent financial social assistance beneficiaries, persons placed in social care institutions and in foster families, persons with mental illness placed in psychiatric hospitals and persons with mental disability without parental care. In addition, with the special Program adopted by the Government of the Republic of Macedonia, there is also an exempt from charges (participation) in case of hospital treatment for the pensioners whose pension is lower than 12,600 MKD, for the purpose of contributing towards protection and improving the health-status of this category of citizens.

In accordance with the Law on health insurance, the basic health care services covered with the compulsory health insurance are provided by the Fund, i.e. the HIF covers the expenses by paying them to the health institutions within the network of health institutions where the health-care service has been provided. Health-care services that are provided in the institutions outside of the network of health institutions are paid directly by the patients.

With the Law on health protection and its amendments made until now, including the corresponding by-laws, there are legal bases for conducting actual reforms within the health-care system, which shall result with providing high-quality, rational, efficient and effective health care. These efforts are supported by the introduction of the information system "My term", providing health-care for the population through practicing evidence-based medicine, strengthening the mechanisms for issuing licenses to the health-care institutions and the work licenses for the health-care workers, their supervision, continuation and renewal.

The introduction of the new education system for the future health-care workers, in accordance with the new educational programs (curricula) of the higher educational institutions (faculties), organized on the basis of European standards and in compliance with the Bologna process, as well as introducing the system for measuring the quality of health-care workers, represent an important segments in defining higher-quality and rational health care. Its own important influence on these issues, also has the process of conducting supervision of the health-care workers' performance and of the work of the health-care institutions in general.

Key challenges in the area of social protection and social inclusion

2.3.1 Improving decentralization of social protection services and tackling poverty and social exclusion at local level

In accordance with the adopted National strategy for reducing poverty and social exclusion 2010-2020, a number of activities and measures have been realized within the past period in the Republic of Macedonia, in order to improve the situation, however, they had limited influence/impact to some extent, especially in the part of inclusion of the local community and getting better and more relevant results at local level. That is why it is necessary to intensify the efforts for strengthening and for ensuring better and more efficient use and deployment of the available human and material resources, mutual and joint work, coordination and collaboration of all relevant stakeholders, in order to achieve faster progress, higher standard, better life quality and further development of the mechanisms for social inclusion of socially vulnerable groups of citizens in the local context.

In this direction, the process of decentralization is particularly important, because it has to be directed towards further strengthening of the social functions of the municipalities at strategic, as well as operational level. In the municipalities there are different socially vulnerable groups of citizens that have been marginalized or found themselves in various situations of social risk, and with the process of decentralization, it is necessary for the local self-government to increase its authority/responsibility in more domains, among which of course, the field of development of social services that will be adapted and tailored to the specific needs and requirements of the population in the local community. It is necessary to promote the development of programs at local level that shall provide activation and work rehabilitation of the vulnerable groups of citizens, thus contributing to their increased participation in the labor market, and by that, exiting and leaving the magical circle of poverty and social exclusion.

In the absence of sufficient financial means and institutional capacities, a large number of local self-government units still haven't developed efficient systems for social support and care in order to meet the needs of the socially vulnerable groups. Moreover, they also lack relevant data, information and data bases on the number of vulnerable groups, on the type of vulnerability, their specific needs and limitations. Such information and data would be essential for developing proper and relevant local programs and solutions, based on the actual local needs of the population.

In this part, as one good practice implemented until now, is the activity for establishing the Social Service Centers (in 4 pilot-municipalities) and the Local coordinating bodies for social protection (in 3 pilot-municipalities), established as a mechanisms for developing preventive work, planning and taking over actions in the field of social protection and for establishing efficient inter-sectoral cooperation, as well.

The positive practice is also the implemented Program for community-beneficial work, i.e. the Program for community-based social services delivery, which improves the system for providing social services at local level through complementing the existing and/or introducing new social services. This program aims to support social inclusion of persons with difficulties to enter the labour market by actively engaging them with part-time work, in order for them to acquire certain skills, but also, to increase the offer of social services, relevant to the needs of citizens in the specific local self-government. During 2015, 42 municipalities were included in this program, with the engagement of 318 unemployed (vulnerable) persons and 85 types of community-based services were supported, mainly in

the field of providing care for elderly, care for children and for persons with disabilities, preschool education, adult education etc. The total number of end-users covered by the services was more than 12,000. Because of the expressed interest and the positive results and impact, the Program for community-beneficial work (delivery of community-based social services) shall continue to be implemented in the forthcoming period as well.

In any case, there is an evident need for further/increased/enhanced coordination and involvement of all relevant stakeholders within the community, in the process of providing high-quality and innovative social services. This is particularly important in the field of preparation social protection programs at local level, which, so far, have not been properly financed from the own, municipal financial sources.

2.3.2 Support and improvement of deinstitutionalization, focusing on persons with disabilities

A noticeable progress has been made in the past, in the field of introducing new forms of community-based care, through establishing services for organized living with support, however, this form needs to be further expanded in order to include more users from the institutions that provide care for disabled people and children placed in institutional care, in order to create the necessary conditions for their inclusion within the community after the termination of their institutional placement. It is necessary to provide additional space facilities with small capacity and education of professionals for ensuring and expanding this service of supported living. Besides that, the plans are in the direction of complementing and further developing the services provided in the form of organized living with support into standardized services which shall also provide vocational rehabilitation and training of these persons, which would support their inclusion within the sheltered or open labor market.

As one of the priorities within the process of deinstitutionalization, is to expand it also within the other institutions that provide care to persons with different types of disabilities, mainly institutions that provide care to children, to youth and adults with physical disabilities. For that purpose, it is necessary to develop programs that shall provide assessment of the remaining functionality of these persons (some of them have been placed in these institutions for even more than 15 years), the level of their education, working skills and potentials, as well to provide suitable training programs for professionals for planning, preparation of individual plans for psycho-social support and training, professional and work-oriented rehabilitation.

It is also necessary to provide the legal pre-conditions for financing the rehabilitation programs, which will lead to developing rehabilitation services - specialized and tailored to the individual needs of the users of social care in these institutions.

The institutions within the psychiatric domain, providing care to persons with mental disorder, in various aspects differ from the social protection institutions that provide care for other types of disabilities.

These institutions that provide care for persons with mental disabilities in Macedonia have predominant medical character and these are the psychiatric hospitals or clinical hospitals with sections (hospital wards) for these persons.

They have been financed by the health-care sector and they do not have developed social services, thus one of the reasons for institutionalization of these persons is the lack of social services within the local community, which leads to social exclusion and discrimination of

people with mental disorders. Due to these reasons, it is necessary to start with implementation of policies and measures for transformation of these institutions that provide care for people with mental disorders, as well. To initiate developing suitable programs for work-related rehabilitation and psycho-social support of these persons, as well as to develop systems for community-based support, mainly social services for assistance and support in the place of residence.

The process of deinstitutionalization of the institutions for placement of children without parents and parental care, of children with disabilities and children with educational and social problems, should be implemented with transformation of the institutions and ensuring provision of assistance and care in forms, which are as close as possible to a family way of life and programs for child supporting children in acquiring knowledge and skills for independent life and taking care for themselves.

The type of care in foster-care families should also be strengthened with provision of continuous support to the foster-care providers, development of specialized, temporary and emergency foster-care families. In this field, it is necessary to ensure professional foster care, support to the foster-care providers in providing care for the beneficiaries (placed persons), as well as increasing the awareness among the general public within the community, regarding this issue.

2.3.3 Further development of social services and pluralization

The social protection rights and services are provided by the state, and the municipalities play a very limited role by participating with restricted funds. The private initiative has also not been present sufficiently in relation to all social protection services, and as a reason, we could point out the absence of the cost price for the service, clearly determined by the state (per hour and per user). What is also noticeable is the lack of the social services provision by the civil sector, which usually depends on the funding provided by external donors.

The social protection system has a shortage of services and capacities for providing care for adult persons with disabilities and persons with multiple (combined) disabilities, and the services for elderly are insufficient, as well. It is also necessary to develop services for professional rehabilitation of persons with disabilities and services of personal assistance, in order to achieve easier entrance for these individuals into the educational system, on the labor market, as well as, to provide their full social inclusion.

The development of social services should be particularly directed towards creating efficient services tailored to the specific needs of the beneficiaries and in accordance with the local circumstances. Provision of services for the beneficiaries available in the place of their living, with the aim of prevention from institutionalization and continuing the stay in home environment.

2.3.4 Improving social inclusion of Roma

Although in Macedonia there has been an evident progress when it comes to improving the integration of Roma within the society, still, the actual condition indicates that there is still a need for further improvements in this segment and continuation of positive trends and successful work in this field.

The Republic of Macedonia, following the policy course established, mainly by the EU institutions, has joined the countries that showed readiness for preparing a separate national strategic document that will promote the principle of active protection of the rights of Roma, aiming to meet the specific requirements and problems that this ethnical community has been facing with, in the country.

Within the past period, certain positive results and tendencies with regard to improving the situation of Roma in Macedonia have been noticed, in the segment of education, political engagement at central and local level, strengthening the non-governmental sector, reducing the discrimination and stereotypes, improving the access to institutions and services. However, it is evident that the need of improvement in all domains of life still exists.

Persons without IDs, Roma children on the streets, unemployment, large number of Roma families living in poverty, significant number of Roma asylum seekers within the EU countries, the existence of discrimination etc., are still worrying issues and challenges which require further efficient and effective measures to be addressed properly.

Some of the identified challenges and strategic priorities that require further attention and work in the forthcoming period are:

- improving the conditions and opportunities for employment and reducing unemployment within the Roma community, leading to the better integration of the Roma within the society;
- raising the level of education within the Roma community;
- decreasing the gap in the quality of housing between the Roma and non-Roma communities in Macedonia;
- continuous improvement of the health status of Roma;
- promotion and development of Roma culture, language and tradition.

2.3.5 Tackling the key challenges in the area of the pension system sustainability

Similarly to many worldwide countries, the pension system in the Republic of Macedonia could not remain immune to the factors influencing its durability. Namely, the Republic of Macedonia is facing demographic changes that influence the system negatively, decrease the fertility rate and increase in the life expectancy due to improved living conditions, which all together alter the population structure. These changes also lead to the changes in the proportion between workers and the retired and the system finds it difficult to survive and function on the basis of the solidarity principle, or as a pay-as-you-go system. Apart from various parametric reforms introduced in the last 20 years, the fully funded component based on individual saving for ensuring pension was introduced, which represents a more deeper and substantial system reform and risk diversification.

The changes in 2004 also altered the pension system structure in the Republic of Macedonia, establishing a three pillar system:

- **First pillar**, pension and disability insurance based on solidarity;
- **Second pillar**, compulsory fully funded pension insurance; and
- **Third pillar**, voluntary fully funded pension insurance.

In 2006 the implementation of the second pension pillar was initiated, in which all persons - newly employed after 2003 are compulsory members and the total contribution for pension and disability insurance is being divided in the first and second pillar. In 2009 the third pillar started to function and it includes everyone who is not compulsory insured, i.e., everyone who hasn't provided the necessary length of service for insurance as a pension pre-condition or who has no working experience, so as to be able to provide pension in old age. Since its introduction of the second pillar until now, there are two pension companies operating with the pension fund, with one mandatory pension fund and one voluntary pension fund. The compulsory funds, until 28.02.2015, have a total of 376,926 members and net assets in the amount of around 35.8 billion denars (or around 583 million EUR).

The third pension pillar has 20,509 members and net assets in the amount of around 575 million denars (or around 9 million Euros).

The Law on Payment of Pensions and Pension Benefits from the Fully Funded Pension Insurance entered into force in 2013, regulating types of pensions and pension benefits, conditions for entitlement to pension, institutions performing pension and pension benefits payments and other issues related to pensions and pension benefits of compulsory and voluntary fully funded pension insurance.

Although the implemented reforms on the long run are in the direction of strengthening the finance sustainability of the system, still, the bigger effects are to be expected with further development of fully funded pension insurance, with the increase of the assets and with the introduction of more liberal investing regulations as well as with the retirement of members and withdrawal of the fund.

Some of the major challenges identified for improving the system sustainability and which shall at the same time, contribute in improving the material status of the members and pensioners are:

- **Application of the Law on Payment of Pensions and Pension Benefits from the Fully Funded Pension Insurance adopted in 2012, i.e. providing pensions and pension benefits for members of the second and third pillar.** The pension system based on solidarity means that current contributors pay contributions used for pension payments to current pensioners. The one-pillar system pension depends on the contribution payments and is paid according to a legally defined formula. The Law on Pension and Pension Benefits from the fully funded pension insurance regulates payments of pensions and pension benefits from the compulsory and voluntary fully funded pension insurance. Members of compulsory pension funds obtain an already defined pension part from the first pillar and a part of the second pillar, which apart from contribution payment, depends on the contribution obtained after investing paid funds. Each member of compulsory pension funds has a personal account in which funds are paid as those funds are invested and multiplied and the member may have insight into the account at any time. This way, a greater responsibility of contributors regarding contribution payment is stimulated, particularly regarding the amount of the payment, because this affects the amount of the pension they receive, bearing in mind that pension amount depends on the return on investment

- **Providing sustainability of the pension system on the long run, through monitoring the financial sustainability of the first pillar and investing the assets into the second pension pillar, adaptation of the pension calculation and of pensions' adjustments.** The pension system is financed from the contribution for pension and disability insurance which amounts to 18% from the salary. Even though the number of insurers has risen through new employments, the improvement of contribution payment system for pension and disability insurance is essential for increasing the contribution of the total income within the PDI Fund and decreasing the deficit.
- **Introducing new opportunities for investing the second and third pillar assets, by introducing more different types of investment portfolios adjusted according to the investment risk.** Investing the assets from the contribution into the second and third pillar has been made in compliance with the strict regulations stipulated by the law. This is due to the fact that in the period of introducing the laws on fully funded pension insurance (second and third pillar), the capital market was still not developed in Macedonia. Moreover, it takes more time for the fully funded pension insurance system to mature and for the citizens, through their education, to acquire higher level of knowledge in relation to the ways of investing the assets and to take over responsibilities in the segment of managing the account and funds investment.

2.3.6 Tackling the key challenges in the area of health system and health protection of the population

Macedonian healthcare system within the past period, has been continuously and intensively reformed in the direction of providing higher-quality healthcare service and improving, promoting and maintaining the citizens' health.

Large number of reforms have been realized in the healthcare sector in this direction, as for example, improvement of services, procurement of new medical equipment, renovation, reconstruction and construction of healthcare institutions throughout the country, establishment of a national system for electronic record-keeping in the health care, through the system for electronic referral and appointments, the so called "My term" system, together with the system for e-prescription, in order to ensure higher-quality and faster healthcare service. These efforts are complemented with the comprehensive activities for investing in human resources, in the expertise and skillfulness of the health-care workers etc.

Within the framework of the health-care system, it is planned in the forthcoming period to continue with the work on further modernizing and improving the condition and tackling the challenges in this area.

One of major challenges is **the further reducing the inequality in access and availability, i.e. improving the access to health-care protection for all citizens within the country.** There are number of activities and projects being implemented in this direction, among which the introduction of the institution/service „rural doctor" for the purpose of bringing

closer the health-care protection and providing basic primary health-care protection services to the citizens from the remote rural settlements, providing the possibility for expanding the pharmaceutical network on the territory of the Republic of Macedonia by opening pharmacy-stations in rural areas with a population of up to 3,500 residents, implementing the project for home visits where medical teams from the health centers perform patronage visits in the homes of persons with disabilities and persons with chronic illnesses, introducing additional incentives by the Health Insurance Fund for doctors (physicians) who provide healthcare services in rural settlements. In the same directions are also many activities realized to improve the healthcare situation and the access to health-care services for Roma population in Macedonia, through increasing the usage and the scope of the health-care services defined within the preventive programs, such as the programs for mothers and children, systematic physical examination of children, vaccination, health for everyone, furthermore, implementation of the project for Roma health mediators etc. The activities and projects in this segment shall continue to be realized in the following period, as well.

Human resources represent the core of the health-care protection system, and consequently, **improving the knowledge, expertise and competence of health-care workers** remains to be one of the key priorities in the forthcoming period. Significant efforts have already been invested within the framework of the healthcare system, for further developing the human resources and for boosting the knowledge and expertise of the health-care workers, through implementing various forms of continuous education and professional development, organizing trainings for the doctors and the remaining medical staff in relevant world-known health institutions home and abroad, especially in the EU countries and the USA.

The program for education of health-care workers provides resources/funds for training and education of healthcare specialists employed in public health institutions from secondary and tertiary level, for application of new methods of diagnostics and disease treatment, for acquiring the latest up-to-date knowledge and expertise in performing more complex interventions. In this field, there are also 37 Memorandums for cooperation signed with the eminent renowned medical institutions from abroad, and during 2014, there has been trainings realized for around 420 health-care workers.

Simultaneously, the procurement of new modern medical equipment for many public health institutions is continuously ongoing within the country.

All of this shall contribute towards improvement of the overall health status of the population within the Republic of Macedonia, particularly throughout ensuring fast/prompt diagnostics, reducing the average treatment time/period, providing services with the highest standards, lowering the average waiting hours, decreasing the expenses for treatment (treatment costs) per patient, reducing the post-operative complications, as well as reducing the sickness leaves.

3. EMPLOYMENT AND SOCIAL POLICY REFORMS AND MEASURES FOR SMART, SUSTAINABLE AND INCLUSIVE GROWTH

As it is already well-known, the current strategic framework marking-out the development and the reform agenda of European Union within the current decade is the **“Europe 2020”-Europe’s Growth Strategy**. The Europe 2020 Strategy was adopted in 2010, as a response to the strong challenges faced by the EU member-states, in relation to the need for as soon as possible economic recovery and overcoming the consequences of the global economic crisis, as well as structural and long-term challenges, such as the globalization, intensive ageing of the population, the pressure on the natural resources and etc.

The Europe 2020 was developed and based also on the experiences and the “lessons learnt” from the preceding Lisbon Strategy, taking into consideration both, advantages and strong points, as well as the identified shortages and weaknesses, especially in respect to the practical implementation and the monitoring of the progress in achieving the strategic goals, coordination mechanisms, management and support in accomplishing the expected results.

The “Europe 2020” Strategy has been designed in a way to contribute in achieving growth within EU Member-states and the European Union in general. The growth that shall be **smart, sustainable and inclusive**, growth based on creating new jobs and decreasing poverty, increased and more efficient investment in education, research and innovations, mitigation of climate changes and energy sustainability.

The Strategy is focused on several specific ambitious objectives which are expected to be achieved at the EU level during these 10 years in the field of employment, education, fight against poverty and social exclusion, innovations and climate changes/energy sustainability. The identified areas for action and the objectives, as defined within the Strategy, have been also supported with (seven) specific so-called *“flagship”* initiatives, which provide the framework for joint actions of EU and the national institutions and authorities, for ensuring successful implementation of the Strategy. Such initiatives, for example in the area of ensuring inclusive growth, are *“Agenda for New Skills and Jobs”* and *“European Platform Against Poverty”* and other.

Bearing in mind the fact that the economic and social condition are specific and they differ from one Member-state to another, for the purpose of achieving the set strategic objectives at the level of the EU, every member-state has defined its own national targets in each of the covered areas.

What is essential for the successful implementation of the Europe 2020 Strategy, are the new structures, mechanisms and management processes, introduced since 2010.

In this respect, above all, there is the so-called **“European Semester”**, the annual coordination cycle of the economic policies at EU level, which involves regular and thorough analyses of the EU Member-states’ annual plans for budgetary, macroeconomic and structural reforms, as well as providing recommendations by the European Commission specific for each country individually, i.e. country-specific recommendations. An active role within these processes is played by the trade unions, employers’ organizations and other relevant stakeholders (NGOs for ex.), represented by the *European Economic and Social Committee (EESC)* and within its framework a special *Europe 2020 - Steering Committee* was established.

In respect to the financing, besides the national budgets of the EU Member-states, the **European Social Fund (ESF)** represents one of the main financial tools and instruments through which the European Union supports the implementation of reforms, policies and specific programs and measures, in accordance with the objectives of the Europe 2020 Strategy (mainly within the area of employment and job creations, education, social inclusion, combating poverty).

The EU Strategy for smart, sustainable and inclusive growth “**Europe 2020**”, as well as the established mechanisms and processes needed to ensure its efficient implementation and achievement of the defined goals and objectives, are of a great importance and are especially relevant for the countries included in the process of accession to the EU, including here the Republic of Macedonia, which is a candidate-country for EU membership since 2005 and which, for more than one decade, has been working on the implementation of the necessary reforms, on harmonisation and coordination of its strategies, policies, legislation and practices with the ones of European Union.

Inspired and guided by the process of preparation, the vision, the objectives and the content of the EU Strategy “Europe 2020”, the countries from the region of Southeast Europe, since 2011 had initiated the process of intensive political and economic cooperation aimed to ensuring a joint and coordinated approach in tackling, more-or-less common challenges, that these countries are facing in relation to the social and economic area.

Coordinated by the Regional Cooperation Council (RCC) and with the support of the European Commission, the Governments of the countries from the region within the framework of one participative and decentralized process, had prepared and in November 2013 adopted the common regional of **Southeast Europe Strategy 2020 (SSE 2020)**, as a regional response to the common challenges of improving living conditions and ensuring increased competitiveness and development.

Basically, following the example and vision of the Europe 2020, the SSE Strategy 2020 provides a framework for support to the governments from the region in the implementation of their own individual development strategies, including here also the goals related to the EU accession, through one additional and strengthened regional cooperation in several important specific areas and issues which are of a mutual/common interest.

The SSE 2020 Strategy is focused on a set of closely connected, inter-linked priorities, so-called development pillars, which are in the focus of the economic and social policies in each of the countries from the region and simultaneously represent a especially important elements of the EU accession process :

- **integrated growth** – through promoting regional trade and investment linkages and policies which are non-discriminatory, transparent and predictable;
- **smart growth** – developing competitiveness through promoting research, development and innovation and promoting knowledge-based development;
- **sustainable growth** – improving the level of competitiveness within the private sector, through development of infrastructure and supporting energy efficiency;
- **inclusive growth** – placing greater emphasis on developing skills, creating new jobs, inclusive labor market, improving the health and wellbeing of the population;
- **governance for growth** – improving the capacities of public administration to strengthen the rule of law and to reduce corruption, creation of favorable business environment and delivery of public services necessary for economic development.

In line with the spirit and the model of these main strategic documents for aimed at ensuring growth, better and broader inclusiveness and social cohesion on the level of the European Union, as well as between the countries from the region of South-East Europe – countries candidates for EU membership, the Republic of Macedonia also took active participation within this process of strengthened and coordinated social and economic dialogue and cooperation with the EU and the countries from the region.

This commitment is reflected also within this process of preparation and future implementation of this important national strategic document - **the Employment and Social Reform Programme (ESRP)**. The document that follows the key strategic pathways and priorities, the structure and the content of the Europe 2020 and the SSE2020 Strategy, in the fields of employment, development of human capital and skills and social policy.

In addition to this, bearing in mind the global efforts for increasing employment, improving labor market, improving labour force skills, qualifications, productivity and competitiveness, other aspects related to the social policy, as indicated in the **UN Sustainable Development Goals**, The Republic of Macedonia initiated the process of integration of the UN Sustainable Development Goals, through the process of preparation of an *Action plan for sustainable development*.

The activities of the Action plan shall be directed towards ensuring implementation of these goals within the national strategic documents and the national legislation. In that direction, the priorities and main reforms and measures presented within this document (ESRP), have been designed and shaped in such a way, among the other, to also contribute towards implementation of the Goals for sustainable development and the Agenda 2030.

Within the Employment and Social Reform Programme, the Republic of Macedonia determines and presents the main (key) policy reforms and the specific programs and measures that shall be implemented on a short and mid-term period (until 2020) in the covered areas and in the direction of achieving and supporting smart, inclusive and sustainable growth.

In defining this strategic document, the presented key policy reforms, programs and measures are consistent, mutually complementary and line with the number of comprehensive national strategic documents in several specific areas, which already exist or are in the preparation stage of preparation/drafting.

Those national strategic and operational documents that are taken into consideration and used as a basis and starting point in the preparation of the ESRP program are the following:

- *National Employment Strategy of the Republic of Macedonia 2016-2020* (adopted at the end of 2015);
- *National Strategy for Reducing Poverty and Social Exclusion 2010-2020* (revised in 2013);
- *Action Plan for Youth Employment 2016-2020*;
- *National Decent Work Programme 2015-2018*;
- *Action Plan for Reducing the Grey Economy*;
- *Strategy for Competitiveness of the Republic of Macedonia with its Action plan 2016-2020*;
- *Program for Development of the Social Protection 2011-2021*;
- *National Strategy for Equalizing the Rights of Persons with Disabilities 2010-2018* (Revised);
- *National Strategy for Elderly 2010-2020*;
- *Strategy for Demographic Development of the Republic of Macedonia 2015-2024*;
- *National Strategy for Deinstitutionalization within the Social Protection System 2008-2018*;
- *Strategy for Roma in the Republic of Macedonia 2014-2020*;
- *Strategy for Vocational Education and Training in a Life-Long Learning Context 2013-2020* (Better skills for a better tomorrow);
- *Overall Strategy for Education 2016-2020* with an Action plan (in preparation during the 2016);
- and other documents from the relevant fields.

Hereinafter, the Employment and Social Reform Programme, provides in this Chapter a presentation and description of the specific reforms, policies and measures, planned to be implemented in a short and medium term - until 2020, as a response to the identified key challenges in the area of employment and social policy, as presented within the previous Chapter (Chp. 2) of the document.

The **Annex 1** presents the Matrix (table) with all the planned measures within the priority areas for addressing the key identified challenges in the areas covered with the ESRP Program.

The matrix contains the detailed description of the planned reforms and measures which more precisely define the scope of the measures, the type of specific activities that shall be implemented, the institution(s) responsible for and/or involved in the implementation of measures, planned time-frame for the implementation, as well as the information on the planned/allocated budget and sources of financing.

The **Annex 2** is the Matrix of indicators and targets, i.e. the matrix that will be used as the main framework for monitoring and reporting on the progress in implementation of the ESRP Programme and in the achievements of the defined objectives and targets.

3.1 Labor Market and Employment

As it has been already indicated and described in the previous Chapters of this document, all relevant statistical data, clearly show that the conditions in the Republic of Macedonia in relation to the labor market, have gradually and continuously improved within a longer period of time and showed positive trends. These tendencies can be seen through the increased number of active population, i.e. through the activity rates and the number of employed persons, as well as through the continuous decrease of the unemployment rate. The latest data published by the State Statistical Office, based on the Labor Force Survey for 2015, have shown a total activity rate in Macedonia of 57%, employment rate (15-64) of 47.8% and further decrease of the unemployment rate, which for 2015 amounts to 26.1%.

The positive results in this segment are mainly a results of the large number of reforms, programs and measures realized in this past period, both, on the side of labor force supply and equally, for addressing challenges identified in the part of labor force demand in Macedonia. Thus, on the side of labor force supply, the measures, among other, are directed mainly towards improvement of the knowledge and skills of unemployed persons, their requalification, providing support for young unemployed persons in order to acquire the necessary working experience and skills etc. However, the efficient and successful linking the needs of the companies on the labor market with the available labor force, still remains important challenge.

The demand is mainly supported through improving the business environment and decreasing the labor force costs, implementing measures for decreasing the administrative burden on the companies, facilitating and decreasing the costs for access to financial assets, supporting the development of small and medium-sized enterprises, supporting entrepreneurship and self-employment, specific measures aimed at stimulating innovations and increasing competitiveness etc.

Nevertheless, besides the evident positive trends and tendencies, the labor market in the country is still facing significant challenges, part of which have already been described and presented within the previous Chapter of this Program.

It is evident that in order to further improve the situation on the labour market, further well organized, systematized and coordinated efforts are necessary to be implemented by the Government and the state institutions, but also by all other relevant stakeholders, in the process of design, implementation and monitoring of reforms, policies, measures and activities, which shall continue to contribute in improvement of the situations and in more successful tackling with the identified challenges.

3.1.1 Improvement of economic development and job creation

It is understandable that one of the main priorities and essential pillars in design and implementation of economic policies is the continuous improvement of the business environment and increase of the competitiveness of the economy, which directly influence the improvements in the economic development of the country and in new jobs creation.

That is the reason why, in the last decade in the Republic of Macedonia, a large number of reforms were implemented directed towards creating more favorable, simpler and more stable business environment, facilitating the conditions for doing business in the country,

establishing high level of economic freedom and equal conditions for work of the economic entities, protection of investors, supporting entrepreneurship, attracting foreign investments, increasing the competitiveness and innovation of the Macedonian economy etc. The achieved results in this segment are evident and can be confirmed through relevant economic indicators, and also through internationally recognized marking, reports and rankings of the Republic of Macedonia, such as the “Global Competitiveness Report”⁸ of the World Economic Forum, the “Report on the Global Innovation Index”⁹, as well as the “Doing Business”¹⁰ report of the World Bank, in which Macedonia has been recognized as one of the ten leading reformers on a global level.

Although there are clearly visible and recognized improvements and reforms in these areas, there are still a lot of challenges remaining, especially in relation to ensuring effective reform implementation and further building of the institutional capacities, which should, ultimately, lead to increased investments and to more and better jobs for Macedonian citizens.

One of the main national strategic documents, which establishes the key strategic pathways and priorities for increasing the competitiveness and supporting the economic growth and progress, is the ***Strategy for Competitiveness of the Republic of Macedonia for the period 2016-2020***, which together with the corresponding Action Plan has been adopted at the beginning of 2016.

This comprehensive strategic document defines the main strategic objectives for the following five-year period, directed towards the seven priority goals: providing simpler and more stable business environment; more entrepreneurial and more productive SME sector; more dynamic export sector; more attractive environment for foreign investors; better qualified and entrepreneurial labor force; renewed industrial policy and increased level of financial assets for the entrepreneurship sector.

This Section of the Employment and Social Reform Programme, in the part of defining the specific priority objectives and measures, has been prepared, bearing in mind and in line with the *Strategy for Competitiveness* and its *Action plan*, as well as other relevant strategic and operation documents, including here the *Economic Reform Programme 2016*.

3.1.1.1. Objective: Improvement of the business environment

Measures:

- Further improvement and strengthening of the one-stop-shop system for issuing permits, approvals and licenses, necessary for starting up and conducting business;
- Improvement of the electronic tools that simplify, accelerate and decrease procedure costs.

⁸ Global Competitiveness Report (GCR), World Economic Forum (<http://reports.weforum.org/global-competitiveness-report-2015-2016/>)

⁹ The Global Innovation Index (<https://www.globalinnovationindex.org/content/page/GII-Home/>)

¹⁰ Doing Business (<http://www.doingbusiness.org/>)

3.1.1.2. **Objective:** Support and improvement of the competitiveness and entrepreneurship in the Sector of Small and Medium-size Enterprises (SME)

Measures:

- Preparation of the Strategy for Development of Small and Medium-size Enterprises with an Action Plan;
- Support in providing an improved and more effective regulatory and institutional framework for SME;
- Support and development of the entrepreneurship culture, start-up companies, support for growth;
- Implementation of Programme for export support for SME;
- Implementation of the project “International Experts for Local SMEs”;
- Financing and support for competitiveness and innovation of the SMEs and establishment of the National SMEs Credit Guarantee Scheme.

3.1.1.3. **Objective:** More attractive environment for foreign investors for an increased level of Foreign Direct Investments (FDI)

Measures:

- Assessment of the obstacles for the FDI, identification and initiation of system reforms, through an effective public-private dialogue;
- Improvement and strengthening of the relations between foreign direct investments and local/domestic companies;

Indicators and Targets:

- Number of active enterprises in the Republic of Macedonia (2014: 70,659; target 2020: to be increased to **80,000**);
- Increase in the index and ranking of R.Macedonia in the area of Business Environment¹¹ (2015: 3.9 and #35¹²; target 2020: **4.3** and ranking **in the first 20**);
- Increase in the index and ranking in the Republic of Macedonia in the area of productivity¹³ (2015: 3.9 and #65¹⁴; target 2020: **4.2** and ranking **#50**);
- Increase of the Inflows of Foreign Direct Investments (2015: 2.4% of GDP; target 2020: **4.5% of GDP** (average in Southeast Europe)).

¹¹ According to the „Global Competitiveness Report“ of the World Economic Forum <https://www.weforum.org/>

¹² **Source:** World economic forum - „Global Competitiveness Report 2015-16“ – Pillar 1: - Institutions, Section 1.09 „Burden of the government regulations“ <https://www.weforum.org/reports/global-competitiveness-report-2015>

¹³ According to the „Global Competitiveness Report“ of the World Economic Forum <https://www.weforum.org/>

¹⁴ **Source:** World Economic Forum – “Global Competitiveness Report” – Pillar 11: Business sophistication, Section 11.07 „Sophistication of the manufacture process“ <https://www.weforum.org/reports/global-competitiveness-report-2015>

3.1.2 Improvement of the unemployment situation, especially with the most vulnerable categories (youth, long-term unemployed and others)

The current situation as regards the main indicators that characterize the labor market in Macedonia have been already described and elaborated in the previous Chapter of this Program. Besides the evident progress and positive trends within the period of past several years, they are still unfavorable and they still demonstrate the existence of a high unemployment rate and low employment and activity rates. The employment rate is particularly low among certain vulnerable groups, such as the youth, socially vulnerable persons, women, persons with disabilities, persons belonging to particular ethnic communities etc.

The sizeable presence of the long-term unemployment is also evident, even among the youth, and the transfer from education to the labor market has been very difficult for young persons and in average, it lasts for even up to 6 years.

It can be said that these issues and these situations started to be systematically and in a planned and coordinated manner addressed, mainly since 2007 onwards, when the employment policy design was significantly improved and since the Republic of Macedonia started to apply one modern system for planning and implementation of specific active labor market measures (ALMM) that include various services for unemployed persons, trainings, internships, requalification, specific policies for job creation, job clubs services etc.

The design and the targeting of ALMM have been continuously improved in order to increase their effectiveness and efficiency. At the same time, within the years the measures has been diversified, so as to be able to meet the specific requirements and specific needs of various vulnerable groups of unemployed persons, as well as the employers. In the segment of the labour force supply, a lot of measures are implemented aimed at improving the skills and the knowledge of the unemployed, requalification and additional training/qualification, support to the young unemployed persons to obtain working experience, support for development of the culture of entrepreneurship and self-employment etc. However, there is still a significant discrepancy (mismatch) between the qualities, skills and knowledge of unemployed persons with the ones that are actually needed and required on the labour market, and the issue of successfully linking the needs of the companies with the available labour supply still remains a significant and important challenge, to be dealt with. The educations and trainings are always welcomed and useful, but they still cannot solve all the problems deriving from the unsuitable education and education which is not adjusted to the current requirement on the labor market.

The employment policies and active labour market programs and measures within the past, but also in the forthcoming period, remain to be focused on the increased coverage and even larger participation within these measures by the persons belonging to different vulnerable groups and who are in unfavorable situation on the labor market.

However, within the framework of this document, i.e. the Employment and Social Reform Programme, the priorities in this section will be directed towards tackling the situations of unemployment among several specific target groups of unemployed persons.

Bearing in mind, the significance and the seriousness of the challenges, is especially important to point out here the efforts made and the measures designed and implemented in the field of supporting the employment of young persons. Although within one longer period of time, the youth has found its own important place as a specific target group within the

employment policies, still, it can be said, that the significant progress in this respect has been made since 2012, with the adoption of the first specific Action Plan for Youth Employment until 2015. Afterwards, in the middle of 2015, a new Action plan was prepared and adopted for the period 2016-2020.

3.1.2.1. Objective: Improvement of youth employment and promotion of more and better jobs for young persons

The main document that defines the various reforms, policies and measures in this field is the actual Action plan for youth employment 2016-2020, focusing on several specific objectives of a key importance for improving the situation of youth (aged 15-29) unemployment. Various measures have been included, such as the measures for improving the harmonization of the supply of skills with the labor market requirements, promoting and stimulating creation of new jobs – mainly driven by the private sector, as well as measures for facilitating the transition of youth into the world of work. The total number of young persons targeted by the interventions established within the national Action plan for Youth Employment 2020 is around 200,000 (which is approximately equal to 42% of the total number of young population aged 15 to 29).

Measures:

- Further strengthening of the coverage and participation of unemployed young people in design and implementation of services and active employment measures (*employment mediation, carrier counseling, orientation and motivation trainings, various programmes for trainings in general and specialized skills, in entrepreneurship and self-employment, trainings for demanded skills and occupations, internship programmes, subsidized employments etc.*);
- Strengthening of the Profiling system of young unemployed, when registering in the ESARM, with the purpose of assessment and identification of employment possibilities and intervention prioritization;
- Development and implementation of a tailored package of services for young by the Employment Service Agency;
- Upgrading and improving the existing models and databases and establishing a coordinated and comprehensive system for forecasting the skills demand on the labour market;
- Introduction of quality services within the education process for career guidance, that will be provided to students from all levels of the education system, mainly during the secondary and tertiary education as part of the teaching programmes;
- Measures at local level for better informing young people of their working relations' rights and obligations;

Valuable support in implementation of the measures in this segment for improvements of the labor market situation of youth is provided also by the International Labor Organization, in line with the Decent Work Program.

It is important to emphasize that large number of other specific measures and activities related to the **young persons**, which are directly targeted to the education system, the adjustments of the educational plans and programmes (curricula) and their harmonization with the needs and requirements on the labor market and the improvement of employability through improving the opportunities for young persons to acquire relevant and directly applicable knowledge, skills and competences, are presented and described below within this Programme, in the Section „3.2. *Human capital and skills*“.

3.1.2.2. Objective: Reducing unemployment among long-term unemployed and persons belonging to other vulnerable groups

Besides the youth, as one vulnerable category of persons who are in a rather unfavorable situations on the labor market as a result of more specific conditions and factors described previously, the reforms, policies and concrete labour market programs and measures in Macedonia, have been continually directed also towards tackling the unfavorable situations and challenges faced by other different vulnerable groups of citizens.

Here, we should especially mention the persons facing long-term unemployment and according to the statistical indicators, they consist more than 80% of all unemployed. Then there are also the persons who find themselves in a situation of social risk/poverty – mainly the social financial assistance beneficiaries, persons with disabilities, women (especially those from rural areas and women with low education), members of specific ethnic communities, unemployed from rural areas and other.

In the forthcoming period, in cooperation with all relevant partners and stakeholders working on the labour market related issues, the activities will continue in the direction of creating and implementing specific programs and measures that will be tailored to the specific requirements, characteristics and opportunities of the members of various target groups and will correspond to the needs of the labor market. The results, the effects and impact of the implemented measures shall be continuously and regularly monitored and evaluated, and on the bases of these analyses and findings, continuous adjustments, adaptations and modifications of the existing programs and measures will be made and the new ones will be introduced, all off this with the purpose achieve greater effectiveness and efficiency of the interventions and to improve the situation of these persons.

Measures:

- Preparation and implementation of the annual Operational plans for labour market services and active employment programmes and measures, focusing on design of set of various services and measures tailored to the needs of the different specific vulnerable groups of unemployed persons;
- Development and implementation of employment incentive measures for the long-term unemployed persons, especially for those that have been unemployed for more than 2 years;
- Development and implementation of specific activation and employment support measures for the persons at social risk¹⁵ (social assistance beneficiaries, Roma, other), aimed at stimulating their active presence in the labour market, job seeking and employment;
- Implementation of measures for employment support of persons with disabilities;
- Regular and continuous monitoring and evaluation of the success of active employment measures and labour market services, setting targets and follow-up of their achievement.

In this Section, for achieving increased and further improved effectiveness of the various services, programs and measures for the various vulnerable groups on the labor market and for more successful achievement of the desired effects, significant importance should also be attributed to the **introduction of the new system of profiling of the unemployed persons**, in accordance with the possibilities and the level of their employability. This system introduced within the Employment Service Agency shall provide the-most-hard-to-employ persons to be offered and provided specific measures and services (set of integrated services and measures) which would facilitate their inclusion at the labor market. This measure is separately and in more details described below in the document, in the section *"3.1.4. Improving quality of work and services of PES"*.

Of course, one of the particularly important vulnerable group of persons to which a special attention has been dedicated when designing and practical implementation of measures for supporting employment and their inclusion into the labor market, are the **persons with disabilities**. These persons have been facing with a number of various and multi-dimensional obstacles and challenges in the process of their inclusion in the labor market, and mainly within the open economy. Therefore, in order to achieve higher efficiency and greater success of that process, most frequently, an entire package/set of complementary services and measures is needed, that will be implemented as a support in different stages of the process and thus, facilitating the inclusion and remaining at the labor market for these persons.

Because of these reasons, in addition to what has already been presented in this section, a large number of policies, reforms and support measures, specifically targeted to persons with disabilities, have been in more details described and presented further below within this document, in the section on *"3.3. Social inclusion and social protection"*, but also in the section *"3.2. Human capital and skills"* and in particular, in the part on *"3.2.1.2. Improving the coverage and conditions for access to all levels of education for persons (children/pupils/students) with disability"*.

¹⁵ The measures in this section are in close connection with the planned measures and activities, presented below in this document, in the area of Social Inclusion and Social Protection, or more precisely in the section *"3.3.1.1. Promoting design and implementation of measures for reducing poverty and social exclusion at local level"*, i.e. the measures for increasing employability and activation of the vulnerable categories at local level.

Indicators and Targets:

- Employment Rate (15+) - (2015: 42.1% ; target 2020: **46.9%**);
- Unemployment Rate (15+) - (2015: 26.1% ; target 2020: **21.5%**);
- Youth Employment Rate (15-29) - (2015: 28.3%; target 2020: **30.7%**);
- Youth Unemployment Rate (15-29) - (2015: 42.5%; target 2020: **41.0%**);
- Long-term Unemployment Rate¹⁶ - (2015: 21.3%; target 2020: **<20%**);
- Total number of persons included in various labour market services and active employment measures and programmes - (2016: around 37,500 ; target 2020: to include **min. 40,000 persons** annually);
- Coverage of young persons (15-29) with programmes, employment measures and services, within the annual Operational plans - (in 2016, the coverage of young persons within the OP is around 13,900 (4,650 with active programs and measures and 9,250 with LM services); target 2020: it is expected to ensure **min. 30% rate** of participation of young in the annual OP for employment programmes and services);
- **All young persons** registered for the first time in ESARM to be early profiled, i.e. during the first 6 months of their unemployment period;
- Percentage of registered employments of persons with disabilities in the open economy, as compared with the employments in the sheltered companies - (2015: 60%; target 2020: **to maintain and/or to improve the trend**).

3.1.3 Tackling informal employment

As it has been pointed out within the previous Chapter of this Program, dealing with informal employment in the country still remains to be one of the current and future important priorities for efficient and long-term improvement of the situation on the labor market in Macedonia. Bearing in mind, that the high frequency of appearance of informal employment has numerous and different negative consequences on the economy and the emergence of unfair competition and unequal working conditions on the labor market, on jobs creation and working conditions in general, as well as for the process of creation of policies itself. In order to improve the situation, it is necessary to continue to undertake various targeted policies and measures for decreasing the number of informally employed persons, to further raise the public awareness about this phenomenon and its negative effects and consequences, measures for further strengthening the capacities and the capabilities of the relevant institutions (including the labor inspectorate), but also to the social partners for more successful mutual and coordinated actions in tackling with this phenomena etc.

The issue to which a particular attention will be paid within these activities is the continuous strengthening of the tripartite approach, the inclusion and collaboration of all relevant stakeholders in dealing with the emergence of informal employment, whereas by the end of 2017, it is planned to prepare and adopt one tripartite national strategy for mutual and coordinated addressing of this challenge.

¹⁶ Share of unemployed persons for one year or more in the total labour force

3.1.3.1. **Objective:** Reducing the occurrence and existence of the informal employment in Macedonia

Measures:

- Strengthening the capacities and the effectiveness of inspection services in tackling undeclared work;
- Strengthening the tripartite approach and cooperation in tackling informal employment and preparation of the tripartite *National Strategy for formalization of the informal economy*;
- Implementation of a national campaign(s) and other promotional activities for informing and raising public awareness about the need and the benefits of formalization of the informal employment and the risks and harmful effects of the unregistered work, both for the employees, as well as for the economic and social situation in the country;
- Design and Implementation of additional targeted measures for tackling informal employment and transition from informal to formal employment;
- Improvement and further strengthening of the electronic exchange of data and information among various competent institutions, comparison and cross check of data in the databases.

Indicators and Targets:

- Participation/share of the informally employed in the total number of employed persons - (2015: 19.9% ; target 2020: **18.0%**);
- Developed and adopted tripartite National Strategy for Formalization of the Informal Economy - (target: **by the end of 2017**).

3.1.4 Improving quality of work and services of the public employment service (PES)

The Employment Service Agency of the Republic of Macedonia (ESARM) represents one of the key players on the labor market, which has particularly important role in the design and the efficient implementation of employment policies, in accordance with the opportunities, situations and requirements of the labor market within the country. ESARM performs all functions that are being realized by the modern public employment agencies, including here the gathering of relevant labour market information, registering job seekers, performing employment counseling and career guidance, employment mediation, administering and implementing the active and passive LM measures, monitoring and evaluation of the implemented measures etc. ESARM also performs the function of registering new employment contracts.

In relation to the aforesaid, the capacities in terms of physical and human resources, with which the Agency disposes, and their continuous improvement, upgrade and modernization are of a great importance for the successful implementation of employment policies and measures (passive and active) and for achieving the expected results and effects on the labor market, in general. Within a longer period of time, the capacities of the Agency has been continuously upgrading and improving, both, through the various internal initiatives, as well as with the assistance and support provided through a number of important international projects.

Due to the restriction of resources (material and human), and bearing in mind the necessity of addressing the issue of high registered unemployment, ESARM has been increasingly focusing on providing support to the hard-to-employ groups of population, and through the electronic systems it provides relevant information for all remaining participants on the labor market. The burden on the staff in the ESARM is very high, having in mind that the ratio between the ESA staff and the active job seekers is 1:230 (or 1:378 when including only ESA employees who are directly involved in provision of services to the clients), which is significantly higher than the internationally acceptable ratio of 1:100.

Further modernization and improvement of the quality of services provided by the Employment Service Agency, should ensure and contribute to further strengthening of its position and role on the labor market and even stronger role of the Agency in the employment mediation.

3.1.4.1. Objective: Further improvement of the ESARM capacities

The working conditions of the ESARM, or more precisely, of the regional employment services, represent an important factor in provision of high-quality services to the clients, i.e. to the unemployed persons and the employers. Within the past period, an evaluation/assessment of the physical capacities has been undertaken with the assistance of external experts, and based on the findings the regional employment offices were divided into 3 categories: offices that are in a very poor condition and require immediate reconstruction, services that require medium, but significant construction works and offices that would require minor reconstruction. The works on reconstruction and refurbishment of the regional ESA offices, has already started, and until now, 12 regional offices have been reconstructed/modernized.

It is of an equal importance for the Employment Service Agency to also provide access to its services to as large number of unemployed persons and clients as possible, and particularly to be able to respond to the needs of unemployed living in a remote areas and at bigger distance from the nearest employment service and to facilitate their access to the available services. For that purpose, within the past period, the Agency started with the process of opening new dispersed offices of the regional employment centres and so far, the number of such dispersed offices is 26.

Bearing in mind that the human resources are one of the most important preconditions for the existence of efficient and modern employment service, simultaneously with all other activities, the Agency has been continuously working on improving the knowledge and skills of its employees and their continual development, and also on gradual increasing the number of ESA employees/staff. The public employment service currently has 502

employees¹⁷, out of which on managing positions are 10.5%, staff working on the active policies amounts to 51%, in finances, legal-administration and IT support there are 32.3% and 6.2% are assistance-technical staff. Having in mind the number of registered unemployed persons and of the employers in Macedonia, it is necessary to increase the number of staff within the public employment service who will work on the implementation of active employment policies, as well as to ensure continual development by organizing and attending various trainings, seminars, workshops and other capacity building activities.

Measures:

- Improvement of the physical capacities and work conditions in the Employment Service Agency;
- Opening of new dispersed offices of the regional Employment centres;
- Developing human resources in the public employment service, through increasing the number of employees and ensuring their continuous development.

3.1.4.2. Objective: Further improvement of services and work of the ESARM with its clients (unemployed and employers)

The need to improve and strengthen the individual approach in interaction and in the work with its clients (unemployed and employers), is an issue that is undoubtedly recognized as essential one for achieving greater efficiency and better working results of the Employment Service Agency.

The preparation of high-quality individual employment plans is a very important precondition for providing appropriate and relevant services for the unemployed persons. Based on the performed profiling and categorization of unemployed persons within 3 categories, i.e. 1-Persons who are directly employable, 2-Persons with moderate difficulties for employment and 3-Persons with significant difficulties for employment; the specific adjusted and appropriately tailored *Individual Employment Plans (IDP)* are being prepared. They consist of and present the planned activities jointly agreed between the unemployed person and the ESA counselor, with the ultimate goal of finding suitable employment within certain period of time.

The employment mediation represents the primary function of the public employment service, and the appropriate linking the labour force supply and demand and is essential for strengthening the trust and confidence of the employers in the work and the services provided by the employment service. The activities of ESARM within the following period shall be also channeled towards further strengthening the cooperation with the employers and the quality of services provided to them, in order to stimulate the demand for mediation by the ESARM when filling in the vacant positions.

¹⁷ Situation on 31.12.2015 (source: ESARM)

Measures:

- Improving the profiling process, preparation and the quality of the individual employment plans, thus achieving an increase in the employment of the unemployed persons;
- Strengthening the cooperation with the employers;
- Improvement of the cooperation between the Employment Centres and the Social Work Centres, especially in the field of activation of the beneficiaries of social assistance and other types of benefits, persons under the risk of social exclusion, such as Roma, persons with disabilities.

Indicators and Targets:

- Number of renovated/reconstructed regional employment centres with significantly improved work conditions - (2015: 12 ; target 2020: **30**);
- Opened new dispersed offices of the regional employment services, ensuring easier access and use of the ESA services - (2015: 26 ; target 2020: **40**);
- Number of employees in the ESARM and number of staff included in the activities for strengthening their capacities (trainings, workshops, seminars, etc.) - (2015: 502 employees in the ESARM ; target 2020: at least **10% increase in the number of employees (550)** and every employee, with the exception of the assistance-technical staff, to take part, at least once a year, in a certain training, workshop, seminar);
- Number of unemployed persons for which an Individual Employment Plan 2 (IEP 2) is prepared – (the implementation has started in 2016 ; target 2020: to prepare **IEP 2 for 40.000 persons**, of which at least 60% shall be included in some of the active employment measures and services within the 12 months-period);
- Number of employment mediation requests to the ESARM by the employers - (2015: 4,655 requests, out of which 3,348 (72%) were positively solved; target 2020: the number of submitted requests for mediation during the employment procedure **to be increased for 15% (6.000)** and the majority shall be successfully dealt with).

3.1.5 Strengthening social dialogue in RM at tripartite and bipartite level, at national and local level, improvement of the collective bargaining

As it has been already pointed out in several occasions within the framework of this Program (the ESRP), the promotion of the tripartite social dialogue represents one of the fundamental values and priorities, which is of a great importance, especially within the framework of the cycle of policy design, implementation and monitoring of the effects within the economic and social sphere, and particularly in the areas covered with this Program (the labor market and employment, education, social inclusion, social protection).

Stronger and better organized social partners and efficiently established mechanisms at different levels, including here the Economic and Social Council too, ensure efficient social dialogue that increases the trust among the social partners and is based on principles of respecting the opinion and positions of each individual partner. Such practice would undoubtedly, contribute towards the economic and social development of the country.

One important activity realized within this past period was the establishment of an efficient mechanism, supported by software (IT) solution that enables to follow/monitor the recommendations coming out from the work of the Economic and Social Council.

In the upcoming period, there will be a continuation in the implementation of policies and measures which will provide support in strengthening the capacities of state institutions, the employees' and employers' organizations for effective engaging in the social dialogue, support to the functioning of the Economic and Social Council, as well as to the Local Economic and Social Councils, strengthening collective bargaining, improving the process and mechanisms for peaceful labor dispute resolution etc.

3.1.5.1. Objective: Strengthening the capacities of social partners and social dialogue mechanisms

Measures:

- Implementing concrete measures for strengthening the capacities of the social partners, the trade unions and employers' organizations in particular;
- Improving the capacities of the employers' and employees' organizations for engaging in collective bargaining, improvement of the negotiation skills;
- Implementation of promotional activities for awareness raising among workers about the role, the necessity and the benefits from organizing within the trade unions;
- Preparation of new tripartite National Decent Work Programme for the period beyond 2018;
- Implementation of measures aimed at strengthening the tripartite Economic and social councils at national and local level and continuous strengthening of their consultative role in the process of creation policies relevant for the economic and social issues;
- Support and efficient functioning of the established mechanism for peaceful settlement of labour disputes.

Indicators and Targets:

- Trade Union Density Rate - (2015: 22%¹⁸; target 2020: **>26%**);
- Collective Bargaining Coverage Rate on branch, i.e. section level - (2015: 32.48%¹⁹; target 2020: **36%**);
- Number of collective agreements at the level of employer - (2015: 65; target 2020: **80-85**);
- Prepared National Decent Work Programme for the period following 2018 - (target: **2018**);
- Rate of successfully resolved collective labour disputes through the mechanism for peaceful resolution of labour disputes²⁰ - (2015: 60%; target 2020: **maintaining the rate of at least 70-75%**);
- Established and functional mechanism for monitoring the recommendations of ESC and regular monitoring of the number of opinions/recommendations submitted to the Government of RM - (2015: 10)

¹⁸ The current Trade union density rate is calculated on the basis of data from the decisions for representativeness of trade unions and data from SSO (LFS – data on employed according to the economic status, sectors and departments of business activity). Due to these reasons, this rate does not represent a fully representative data, i.e. it does not correspond with the real situation of trade union organization. (**Calculation:** data from the representativeness decisions with a total of 117,856 employed persons. Total # of employed people 534,359 – SSO Statistical Report for the fourth quarter of 2015 - 2.1.16.04). **NOTE:** Starting from 2017, within the MLSP an electronic database on the membership of social partners shall become functional and it will allow to have more precise and accurate image of the situation in this area.

¹⁹ The current Collective bargaining coverage rate is calculated on the basis of data deriving from the decisions of representativeness of trade unions and employer’s associations – signatories of the collective agreements at the branch level, combined with the data from the SSO (LFS – data on employed according to the economic status, sectors and departments of business activity). As such, this rate is not a fully representative data, i.e. it is possible that it is not precise and it deviates from the real/actual rate of coverage with collective agreements at branch/department level. (**Calculation:** data from the decisions on representativeness, covering a total of 77,826 employed persons, as compared with the total number of employed 239,605 in the specific sectors, i.e. departments for which the collective agreements were signed – SSO Statistical Report for the fourth quarter of 2015 - 2.1.16.04). **NOTE:** Starting from 2017, an electronic database on the membership of the social partners will become operational in the MLSP, which would give adequate and more precise data on these matters

²⁰ Percentage of successfully resolved labor disputes out of the total number of disputes covered with (referred for resolution) the system for amicable labor dispute settlement

3.2 Human Capital and Skills

As it has been already mentioned, in 2016 throughout one process of wide consultations and participation of a large number of relevant stakeholders, as well as with the additional experts' support provided within the framework of the IPA instrument of the European Union, there is an ongoing preparation of a **Comprehensive Education Strategy for the period until 2020**. Simultaneously, the corresponding thoroughly elaborated Action Plan has also been prepared, with the purpose of ensuring practical implementation of the established strategic goals, addressing the identified challenges and achievement of the defined objectives. The first draft-version of the Strategy and the Action plan were prepared in the first half of the year, and they have been taken into consideration and represented basis also in the drafting of this Chapter of the ESRP.

The strategy establishes the priorities and pathways of actions within the forthcoming period of time, in the direction of ensuring a comprehensive and inclusive education that shall be focused on the pupil/student, the education that shall be characterized with modern and up-to-date programs that will enable future generations to acquire knowledge, skills and competences that will be competitive and will be adjusted to the actual needs of the labor market, to the needs of a democratic multicultural society and to the new challenges within the global scientifically-technological environment.

Recognizing the education, training, research and innovations, as key factors directly influencing the strengthening of the national economy and citizens welfare, the Education Strategy, as one comprehensive strategic document, is focusing on all relevant areas in this field and covers the six main pillars of the education system, i.e.: 1.preschool education, 2.elementary education, 3.secondary education, 4.vocational education and training, 5.higher (tertiary) education and research and 6.informal education and adult education.

Bearing in mind the considerable importance of each one of these specific segments, following the analysis of the situation and the identified challenges and priorities, as described within the previous Chapter, in this part of the ESRP the focus will be given mainly to one limited set of priority areas and challenges that more-or-less establish direct link and connection between the education and the labor market, between the development of human capital and skills and ensuring increased employability and social inclusion.

In this part of the document we shall give an overview of the reforms, programs and measures that contribute towards further alignment and harmonization of the education system with the actual demand on the labor market, further improvement of the quality of education and facilitating accessibility to education for all, strengthening and modernizing the vocational education and training, adult education, supporting and promoting life-long learning etc.

3.2.1 Ensuring fully inclusive education and equal access to education for all

The continuous trend of growth within the last several years could be noticed in respect to the level of acquired education by the young population aged 15 to 29, among other, also as a result of introducing secondary education as compulsory (since the school year 2007/2008), then the significant widening of the network of universities and faculties within the country, as well as many other implemented measures and projects within different levels and forms of education. There is continuous increase of the percentage of young population with completed four-year of secondary education and those who have completed higher (university) education.

In respect to the primary education, positive results can also be identified, mainly in relation to the quality, coverage, accessibility, the conditions within the schools etc. The level of literacy is high and it amounts to 98.8% for men and 96.8% for women (2015)²¹, and the net coverage rate is 91%.

However, as it has been mentioned before, there is still a certain drop-out rate among students in the education process, which is highest among the Roma children or children from other particularly socially vulnerable groups of the population.

Since 2010 the share of persons – early school leavers also shows the trend of continuous decrease and it has declined, for example, from the level of 22.2% in 2006 to 12.5% in 2014. And this is the level which is very close and comparable with the level (share) of early school leavers within a large number of EU member-states.

The government will continue with the implementation of measures that will aim to increase the coverage, to reduce drop outs and to make education as much as possible accessible to the students from the socially vulnerable categories (Roma students, students from rural areas, the poor etc.)

Due to these reasons in this document too, as well as within the Education Strategy in the stage of preparation, one of the important starting points and priority areas is the decreasing the drop outs in the education and the efforts to reduce the number of young persons who are unemployment and not in education and/or training.

3.2.1.1. **Objective:** Reducing the drop-outs of pupils and the number of early school-leavers, by improving the coverage, learning conditions, continuity and completion of the education

Measures:

- Implementing measures for stimulating inclusion of children from marginalized groups, mainly within the primary and the secondary education;
- Continuation in provision of free-of-charge text books to the primary and secondary school pupils;
- Providing free-of-charge accommodation in the dormitories for pupils coming from the cities where there are no secondary schools (gymnasiums and vocational schools);

²¹ **Source:** Adult literacy rate, population 15+ years, UIS Data Centre. UNESCO (2015)

- Intensified monitoring and registration of the pupils which have not regularly attended classes in the school and undertaking timely appropriate (preventive) measures;
- Intensified and improved work with the pupils' parents;
- Improving the integration and interaction among students attending classes in different language;
- Implementation of specific measures for stimulating and supporting education of Roma-pupils²² (*awarding scholarships, providing mentors and tutors for Roma pupils, measures for involvement of Roma children from the streets (street children) in the education system, etc.*).

3.2.1.2. Objective: Improving the coverage and conditions for access to all levels of education for persons (children/pupils/students)

Measures:

- Introduction of conditions for greater inclusion of children with special needs in the preschool education;
- Improving the participation of pupils with disabilities in the regular (mainstream) primary education;
- Increasing the coverage and participation of pupils with disabilities in the secondary education;
- Improving the accessibility in the tertiary education for students with disabilities;
- Improvement of the possibilities and widening the scope of learning programmes for adults with disabilities.

3.2.1.3. Objective: Improving the learning conditions, capacities of schools, content and quality in education and strengthening the capacities of the human resources (teaching staff)

Although a large number of activities have already been initiated and realized in the past years, related to the investments and various projects for improving the content and the quality of the education plans and programmes (curricula), projects on improving the physical capacities, equipment of the educational institutions, strengthening the capacities and improving knowledge, skills and qualifications of the teaching staff, the management and the human resources, in general, within all levels of the education system in the Republic of Macedonia, still, such activities shall continue to be implemented in the following period, as well.

²² More specific and detailed description of the activities in this area is provided within the presentation of the planned policies and measures in the Section "3.3.4. *Improving social inclusion of Roma*", i.e. in the part dealing with the raising the education level of Roma and their inclusion in all levels of education

Measures:

- Measures for improving the learning environment, content, learning methods and techniques and the possibilities for paying greater attention to each pupil/ student;
- Improvement of work/learning conditions in the education;
- Strengthening the human resources capacities in education.

3.2.2 Implementation of the National Qualification Framework (NQF) for lifelong learning – basis for insuring quality in the system of education and training

The National Qualifications Framework (Macedonian Qualifications Framework) based on the European Qualifications Framework is an instrument that enables harmonization of the knowledge, skills and the competencies that pupils and students acquire, with the actual needs and requirements on the labor market and an instrument that promotes life-long learning.

The Macedonian Qualifications Framework represents the foundation for the reforms within the education and training and in providing and ensuring quality in this field. It contributes to the acquiring a higher level of qualifications, in accordance with the current and future needs of the labor force. Its full implementation is also in the direction of increasing the employment, productivity and competitiveness of the enterprises and improving mobility in learning and in employment.

3.2.2.1 **Objective: Establishing a sustainable NQF system and strengthening human resources for its implementation**

Measures:

- Strengthening the role of the National Board of the Macedonian Qualification Framework;
- Establishing Sectoral Committees for Qualifications;
- Introducing a NQF information management system;
- Development of qualification standards based on learning outcomes, according to NQF;
- Raising awareness of the stakeholders and users on the role and the significance of the NQF, through public events and campaigns;
- Improvement of the system for confirmation of possession of competencies by issuing a diploma supplement to all VET graduates, in accordance with the NQF.

3.2.3 Strengthening of the employability of the work force and building learning pathways in the context of lifelong learning

As it has been already pointed out in several occasions, one of the main priorities of the Government of the Republic of Macedonia in the areas covered by this strategic document (ESRP), as well as in many other documents of this kind (existing and in preparation), such as the Employment Strategy, the Action Plan for Youth Employment, the Strategy for Reducing Poverty and Social Exclusion, the Education Strategy etc., is to continuously design and implement reforms, policies, projects and activities that shall lead to increased employment, increased activation and presence on the labor market, increased employability etc. And this to be supported, besides other, also through improving the efficiency and the relevance of the various levels and forms of education and trainings of the population belonging to various ages and various target groups, acquiring knowledge, skills, competences which shall be competitive and shall respond to the current and future demands, trends and challenges on the labor market.

In this direction, the focus in the forthcoming period shall be channeled towards further development of the vocational education and training, adult education, towards promoting and supporting various forms of life-long learning, promoting entrepreneurial culture at all levels and forms of education, active consultation and inclusion of the social partners within the processes, mainly the representatives of the business community etc.

3.2.3.1 **Objective: Development, modernization and increasing attractiveness of VET**

Some of the more significant identified disadvantages and challenges that will be more intensively addressed within the forthcoming period in order to achieve more noticeable improvements, will be the issues related to the still insufficient attractiveness of the VET. Within the framework of the Vocational education and training evident mismatch between the labour force supply and demand, still insufficient level of entrepreneurial knowledge, insufficient flexibility of the system for introducing new qualifications in VET, the still insufficiently expressed and present link and cooperation with the business sector in workplace based practical training for the students etc. It is also very important to emphasize in this area the need for continuous improvement of the knowledge and skills among the VET teachers, together with increasing their motivation, developing a system for professional improvement and career advancement, increased use of the modern technologies in the education.

Measures:

- Ensuring greater harmonization of the VET with the needs of the labour market;
- Establishing modern and effective system for post-secondary education;
- Measure for improving the attractiveness, learning conditions and quality of VET.

3.2.3.2 **Objective: Development and Improvement of informal education and adult education**

Within the framework of this Objective, work shall be done on overcoming various identified challenges and disadvantages in the field of insufficiently developed and low public awareness about the opportunities and the benefits from adult education, the low existing motivation of adult persons to take part in life-long learning, the absence of an efficient system for validation of the knowledge and skills acquired through informal and non-formal learning, the still non-satisfactory level of cooperation between the various relevant stakeholders (such as the Local economic and social councils, the business community etc.) and their participation in designing programs (curricula) for adult education, poor access to information both, for the companies and also for the workers for the benefits of learning through working and practical training, the absence of an comprehensive system of financing the adult education in the country, as well as the weak financial and other type of motivation for the employers to invest in adult education.

Measures:

- Raising awareness about the significance, opportunities and participation in the informal education (IE) and adult education (AE) and increase knowledge, skills and competencies of adults;
- Improving the efficiency, content and quality of the non-formal education and adult education and increase of the number of IE and AE providers.

Indicators and Targets:

- Rate of early school leavers ²³ (2015: 11.4%; target 2020: <11%)
- Share of persons aged 30-34 which have completed tertiary education²⁴ (2015: 27.75%; target 2020: 30%)
- Participation of students in the secondary VET schools (2015: 58.78%; target 2020: >60%);
- Participation in life-long learning ²⁵ (2015: 2.5%; target 2020: >5%);
- Share of pupils with special needs included in the regular (mainstreamed) primary education²⁶ (2015 62%; target 2020: 70%);
- Number of established Sectoral Commissions for Qualifications (for development and quality check of the qualifications in certain sectors) - (2015 no; target 2020: **8 Sectoral Commissions for Qualifications**);
- Established and functional Skills Observatory (for forecasting the skills needs at the labour market) - (target: 2020);
- Functional Qualifications Register (for overview and transparency of the qualifications) - (target: 2020).

²³ Participation of persons aged 18 to 24 with no or with at most lower secondary education and not in further education or training, in relation to the total population of the same age group. **Source:** SSO, results from the Labour Force Survey. **The selection of this indicator is in line with the indicator defined within the EU Strategy "Europe2020" in the field of education (rate of early school leaving)**

²⁴ **Source:** SSO, results from the Labour Force Survey. The selection of the indicator is in line with the indicator used within the EU Strategy "Europe2020" in the field of education (*share of 30-34-year-olds completing third level education*)

²⁵ Adult population aged 25 to 64 participating in formal or non-formal learning activities, expressed as a share of the total population at the same age group. **Source:** SSO, results from the LFS.

²⁶ Percentage of pupils with special needs included in regular (mainstream) primary education, as a share of the total number of registered pupils with disabilities (*for 2015 from the total # of 1,138 registered pupils with disabilities, 707 (62%) were in regular (mainstream) education, and 431 in special schools*)

3.3 Social Inclusion and Social Protection

The more significant reforms within the system for social and child protection in the Republic of Macedonia have been initiated in 2004, when important progress in these fields, both, in relation to the current situation and to the planning the next steps, policies and measures, was achieved through preparation and adoption of a number of strategic documents addressing the improvement of the social protection and social inclusion within the country. The legal framework has also been upgraded and improved by implementing and transposing relevant international standards, large number of bylaws have also been adopted, together with several significant strategic documents at national level.

In order to ensure greater coordination and harmonization of the relevant policies, measures and activities, that shall lead towards higher social inclusion and decrease of poverty in Macedonia, in 2013 the existing National Strategy on Reducing Poverty and Social Exclusion 2010-2020 has been revised, whereas a specific attention was given to its alignment with the EU growth strategy - Europe 2020. For practical implementation of the Strategy, corresponding Operational Plans are being prepared annually, defining specific activities, responsible institutions/entities, allocated financial means within the budget of each involved institution.

What has been identified as a necessity and challenge in relation to the practical implementation, among other is the necessity for much stronger activity and involvement of the local communities in the implementation of policies in these areas, much stronger coordination at local level among the relevant stakeholders and better cooperation with the institutions on national level.

3.3.1 Improving decentralization of social protection services and tackling poverty and social exclusion at local level

In the forthcoming period, the implementation of policies, measures and activities will continue, with the aim to contribute to the further strengthening of administrative capacities of all relevant stakeholders in the municipalities, for design and implementing efficient and tailored to the local needs, local social protection policies and their greater and more efficient involvement in providing social services.

3.3.1.1. **Objective:** Promoting design and implementation of measures for reducing poverty and social exclusion at local level

Measures:

- Measures for improvements in the type and adequacy of the financial social protection benefits, provided for addressing poverty and as an assistance and support to the most vulnerable categories of the population;
- Development of specific forms/mechanisms and stimulating participation and cooperation at local level in addressing social risks of the vulnerable categories;

- Improving the cooperation between institutions responsible for implementation of labour market activation measures and social protection institutions;
- Increasing employability and activation of vulnerable categories at local level²⁷;
- Strengthening the capacities of the representatives of different stakeholders at local level for development, creation, implementation of social protection services;
- Defining and generating proxy-indicators and data that will enable better insight into the numbers and percentages of persons with specific disability in the local communities (municipalities).

3.3.2 Support and improvement of deinstitutionalization, focusing on persons with disabilities

As it has already been mentioned in the previous Chapter, it can be verified that the significant progress has been achieved until now, in relation to the deinstitutionalization of persons that are/were placed in social protection institutions. The deinstitutionalization of the institutions for children without parents and parental care, for children with disabilities and children with educational and social problems, has been mainly done through institutional transformation and providing services within forms for care that are close to family living, strengthening the foster-care families, implementing programs for supporting children to acquire knowledge and skills for independent living.

The deinstitutionalization process for persons with disabilities has been realized, mainly through establishing a new form of community care, by establishing services for “organized living with support”. Of course, it is necessary for this process to also continue in the future, in order to increase the coverage with the non-institutional care and the number of deinstitutionalized beneficiaries. This will be done through widening the network of appropriate forms/services, through providing the necessary facilities, introducing new services, as well as providing the necessary equipment and education for the professionals for work with these beneficiaries.

Of course, the measures which are being implemented and those planned to be implemented in the period to come in relation to the deinstitutionalization process and the priorities presented below, besides targeting the persons that are already placed in social protection institutions, at the same time and no less important, aim to also contribute in providing prevention against institutionalization of persons belonging to specific vulnerable groups.

²⁷ The measures in this area are closely linked and are complementary with the planned measures described previously in this document – in the part „3.1.2.2. Reducing unemployment among long-term unemployed and persons belonging to other vulnerable groups”, i.e. activities described under “Development and implementation of specific activation and employment support measures for persons at social risk”.

3.3.2.1. **Objective:** Strengthening the process of deinstitutionalization and improving the non-institutional forms of protection for persons with disabilities

Measures:

- Continuation of the process of deinstitutionalization of persons with mental disabilities from the PI Special Institute “Demir Kapija”;
- Commencement and gradual realization of the process of deinstitutionalization of the institution for accommodating children and youths with physical disabilities PI Institute for rehabilitation “Banja Bansko” -Strumica;
- Establishing a Centre for rehabilitation and work qualification and service for organized living with support, within the Institute of rehabilitation of children and youth - Skopje;
- Development of social services in the local community for persons with disturbed mental health;
- Analysis and improvement of the existing minimum standards for providing services for community-based supported living.

3.3.3 Further development of social services and pluralization

In accordance with the existing legislation, it is enabled for different entities to provide social services within the community, however, this process still haven't been developed and applied sufficiently, whereas, the largest part of the social services are still provided by the central level. Because of these reasons and with the purpose of improving the quality and the efficiency of services provided to the citizens, there is an obvious need to include more entities in the process of providing social services, including here the private sector, citizens' associations, local self-government units etc. The further development of the process of pluralization within the social protection system shall contribute in providing services in a more effective way, and in accordance with the specific needs of the citizens within the local communities.

There is also a well-recognized need for further development and improvement of the existing ones, as well as introducing and establishing new, innovative social services. The services that will be easily accessible and as much as possible, tailored to the needs of certain specific vulnerable groups of population, services that will be able to provide integrated and multi-dimensional support for these persons, services that will be applying the positive and proven European practices and experiences etc.

3.3.3.1 **Objective:** Development and improvement of the social services and the opportunities for inclusion of various stakeholders in the high-quality and efficient provision of community-based social services

Measures:

- Implementing measures for improving the conditions for delivery of social services by other providers;
- Promotion and development of social entrepreneurship;
- Development of the service for providing personal assistance for people with disabilities;
- Development of the vocational rehabilitation services;
- Further development and expanding the network of services and alternative forms of care and protection of specific vulnerable categories of citizens;
- Development of services for home-based assistance and support for elderly;
- Measures for increasing the capacities of the institutions for social protection of elderly, especially through stimulating the private initiative.

Indicators and Targets:

- Poverty Rate ²⁸ (2014: 22.1%; target 2020: <20%);
- Number of established Social services centres and Local social protection councils - (2015: 3 ; target 2020: **10** (established SSCs and LSPCs in **10** municipalities on the territory of the RM));
- Number of persons accommodated in the established services/housing units for independent living with support and in small group homes, within the framework of the deinstitutionalization process - (2015: 93²⁹ beneficiaries; target 2020: **approx. 150 accommodated beneficiaries**³⁰);
- Development of the Social entrepreneurship – Adopted Law on Social Entrepreneurship (target: **2017**), Number of registered social enterprises - (target 2020: **20**), Number of people belonging to vulnerable categories employed in the social enterprises (target 2020: **100**);
- Increased access and coverage of beneficiaries belonging to various vulnerable categories to non-institutional (alternative) forms and services of community-based care (day care centers, foster families, shelter centres, centers for providing services, intervention centers etc.) - (2015: approximately 1,750³¹ beneficiaries; target 2020: **2,270 beneficiaries, i.e. 30% increase**);
- Increased capacity in care institutions for elderly persons - (2015: homes for elderly – public: 5 (bed capacity 624), private: 17 (capacity 543); target 2020: total of **35 homes for elderly** (with **30% increased bed capacity, i.e. approx. 1,500**).

²⁸ **Source:** State Statistical office, SILC - Survey on Income and Living Conditions

²⁹ This refers to the 76 beneficiaries accommodated in the existing 16 housing units for independent living with support and the 17 beneficiaries accommodated in the two existing small group homes (in Berovo and Kavadarci)

³⁰ This number refers to individuals deinstitutionalized from the social protection institutions (SI “Demir Kapija”, Institute for Rehabilitation “Banja BANSKO”), individuals accommodated in small group homes, as well as individuals accommodated in these alternative forms of supported living for the purpose of prevention of their institutionalization.

³¹ The coverage is established/calculated on the basis of the average number of persons/beneficiaries belonging to different vulnerable categories, who are currently visiting and/or using services in the existing alternative forms of providing care and social services, established throughout the territory of the Republic of Macedonia

3.3.4 Improving social inclusion of Roma

As it has been already pointed out in the previous parts of this Program, as a result of the large number of systematic, reform-oriented and coordinated programs and measures implemented in the past years, an evident progress has been made in relation to the situation of Roma in the Republic of Macedonia, their social inclusion and integration in all areas of the social life.

Positive results can be noted in respect to the access to the labor market and employment for Roma population, access to education and health-care, improving the access to the institutions and to needed information and services, improvements in relation to political engagements of Roma and the possibilities to be able to represent their own interests, both, at local and central level, providing the necessary legal and other type of assistance in accomplishing certain rights and services, the significant strengthening of the non-governmental sector.

Trends of improvements have also been noticed in the field of reducing discrimination and stereotypes, as well as positive results in addressing certain issues and challenges, such as homelessness, the problem of persons without identification documents etc.

3.3.4.1 **Objective: Further improvement of the living conditions and the quality of life, access to services and social inclusion of Roma in Macedonia**

Besides the already achieved positive results, the current situation and the existence of still worrying issues and challenges, emphasize the need for further actions in this field and the necessity of more intensified, organized and coordinated implementation of programs and measures that shall efficiently influence the improvement of conditions, issues and challenges faced by the Roma in the Republic of Macedonia.

Measures:

- Implementation of measures for improving the employment opportunities and reducing unemployment within the Roma community and increasing participation of Roma in different active employment programmes and measures;
- Implementing measures for raising the education level of Roma population and their participation/inclusion at all levels of education;
- Implementation of measures for improving the quality of housing of the Roma community and improving of the infrastructure in communities with prevalent Roma population;
- Implementation of measures for continuous improvement of the health status and access to health care for Roma.

Indicators and Targets:

- Participation of Roma in the labour market services and active employment programmes and measures - (until 2014 the coverage of Roma is around 100 on annual level; target 2020: at least **800 Roma** are successfully included in the active employment measures and services (2017-2020) of which 30% women and young persons);
- Participation of Roma in the total number of registered unemployed persons in the ESARM - (2015: 5.5%³²; target 2020: **4.5%**);
- Participation of Roma children (0-6) in the preschool education - (2015: 840³³; target 2020: inclusion of **1,000-1,200 Roma-children** in preschool education);
- Percentage of Roma pupils successfully completing primary education - (2014: 75%; target 2020: increase of **min. 10%**);
- Number of enrolled Roma-students in tertiary education - (2014: 188³⁴; target 2020: increase of **min. 10%**);
- Transition rate of Roma pupils from primary to secondary education - (2015: 83%; target 2020: **90%**)
- Transition rate of Roma-pupils from secondary to tertiary education - (2015: 40%; target 2020 **45%**)
- Number of Roma families with access to social housing (2015: 102 families (15%)³⁵; target 2020: **10% increase** in the percentage of social apartments allocated to Roma families (it is planned to build additional 19 apartment buildings with 1,063 apartments);
- Number of realized public utility infrastructure projects in areas/settlements with prevalent Roma population - (2013: 8; target 2020: **23**);
- Infant mortality rate within the Roma population - (2014: 14.2‰; target 2020: **<10‰ (30% decrease)**);
- Increase of the vaccination coverage among Roma children - (no relevant initial/baseline data; target 2020: **95%**).

³² **Source:** ESARM – out of the total of 123,892 registered unemployed persons in RM actively searching for a job, 6,761 (5.46%) are Roma. (data from: May 2015)

³³ Number of Roma children included in the preschool education institutions (kindergartens/Early Child Development Centres). **Source:** SSO (*Statistical Review no.2.4.16.01/842*) – of the total number of children (age 0-6) in the kindergartens and Early Child Development Centres in 2015 (32,660), 840 were Roma-children (2.57%)

³⁴ **Source:** SSO (*Statistical review no.2.4.15.18/832*) – total # of Roma students (188) enrolled in the state and private universities in the academic 2014/15 year

³⁵ Of the total number of 14 constructed apartments buildings with the total number of 678 apartments (housing units) until 2015 (in the cities of Skopje (2 buildings), Kavadarci, Kicevo, Makedonska Kamenica, Kocani, Kriva Palanka, Bitola, Ohrid, Shtip, Berovo, Demir Hisar, Prilep and Resen), 102 social apartments (15%) have been allocated to Roma families

3.3.5 Tackling the key challenges in the area of the pension system sustainability

3.3.5.1 **Objective:** Strengthening the financial sustainability of the pension system and improving the efficiency in exercising the pension and disability insurance rights

Since 1st of January 2006 the fully funded pension insurance started to be implemented and with this, one part from the pension and disability insurance contribution went to the private pension funds, whereas the compulsory members of the second pension pillar are the insurers that have been employed for the first time after 1.1.2003. After ten years of the implementation of the fully funded pension insurance, there is a need for carrying-out one more-detailed analysis of functioning of the existing pension system, an analyses that will be able to also provide appropriate proposed-solutions how to further improve and enhance the system. It is also necessary to prepare detailed analysis on the justification and rationalization for the membership into the second pension pillar for a certain category of adult insurers. This analysis would provide insight into the situation, as well as relevant arguments for further possible legislative amendments and reasonable distribution of insurers.

Measures:

- Conducting an analysis of the current financed pension and disability insurance (pay-as-you-go) and the fully funded pension insurance and the detailed analysis of the structure of the members in the fully funded pension insurance;
- Further improvement of the efficiency of the Pension and Disability Insurance Fund of Macedonia.

3.3.5.2 **Objective:** Introducing new possibilities of investment of the funds from the second and the third pension pillar, in accordance with the capital market and the age structure of the members

Measures:

- Conducting an Analysis of the existing system of investing assets from the second and the third pension pillars and Analysis of the existing Law on payment of pensions and pension benefits from the fully funded pension insurance.

3.3.5.3 **Objective: Maintaining the adequacy of the pension and protection of the standard of pension beneficiaries**

The right to basic (the lowest amount of) pension is exercised by all insurers with calculated (determined) amount of pension that is lower than the minimal pension. Bearing in mind the lowest wage-basis for payment social contributions, whereas the right to the minimal pension shall be accomplished regardless of the salary basis for which the contribution for pension and disability insurance has been paid, it is necessary to conduct an analysis of the present system that provides the right to lowest amount of pension (minimal pension) and the system for its funding.

Measures:

- Analysis of the existing system of the right to the minimal pension and implementation of measures for ensuring social security to pensioners through alternative measures of protection and improvement of the social standard of this category of citizens;
- Analysis of the existing system for calculating the amount of the pension.

3.3.6 Tackling the key challenges in the area of health system and health protection of the population

3.3.6.1 **Objective: Improving access to health protection for all citizens, conditions in the health system and the quality of the health care services**

The healthcare system within the past period has been continuously reforming in order to ensure its improvement, further development and maintaining the citizens' health.

At present, there is an ongoing implementation of the project for construction and reconstruction/modernization of public health institutions, which shall provide significant improvement and restructuring of the health-care sector until 2020, through creating a new network of public health-care institutions that will provide better, more efficient and higher-quality healthcare protection.

The actions will continuously be implemented for promotion and improvement of the healthcare protection for patients with specific diseases or conditions, for persons with disabilities, as well as for improving the coverage and access to high-quality healthcare protection for certain specific vulnerable groups of population.

Measures:

- Continuation with the measures for construction, upgrading and reconstruction of the public health facilities;
- Opening and developing Centres for treatment of specific illnesses or conditions;
- Implementation of measures to improve accessibility to the health care protection for specific vulnerable groups – pregnant women and infants, elderly over 62 years of age, Roma³⁶ and other;
- Improving and upgrading the established integrated health care information system “My term”;
- Improving the system for prevention and control of infectious diseases.

3.3.6.2 Objective: Improving the expertise and competence of the health-care workers

Bearing in mind that the human resources represent the core of the healthcare system, many measures and activities that will ensure substantial improvements in the knowledge, expertise and the competency of healthcare workers, are planned to be intensively implemented within the forthcoming period.

Measures:

- Implementation of various forms of education to the health care workers from Macedonia in distinguished/renowned health institutions abroad and introduction of new methods/interventions.

Indicators and Targets :

- Infant mortality rate in Republic of Macedonia - (2014: 9.9‰; target 2020: **30% decrease** in mortality rate, i.e. **6.9 - 7 ‰**);
- Number of newly constructed and reconstructed public health care buildings - (target 2020: **2 newly-constructed** and **4 reconstructed buildings**);
- Number of newly opened centres for treatment of specific diseases/conditions (target 2020: **18**);
- Number of health-care workers in the public health-care institutions of secondary and tertiary level, who have successfully completed training for application of new methods of diagnostics and disease treatment - (target 2020: **1,000 persons annually**);
- Completed upgrade with new modules of the integrated health care information system “My term” - (2015: 19 modules; target 2020: **33 functional modules**).

³⁶ More detailed information on the planned policies and measures aimed at contributing to significant increase in the access to healthcare protection and improvement of the health condition of members of Roma community, have been presented and described previously within this document, in the part “3.3.4. Promoting social inclusion of Roma”

4. MANAGEMENT AND FINANCE

Some of the major preconditions for ensuring efficient, timely and effective implementation of the priorities and measures indicated in this Employment and Social Reform Programme, are certainly related to the provision and establishment of a sound management system, clear determination of the responsibilities and responsible institutions for implementation, sustainable financing and providing the necessary budget support, as well as continuous monitoring of the implementation of policies and measures, timely response in case of appearance of certain problems and/or risks.

As for the preparation process, also regarding the implementation of the ESRP, the **Ministry of Labor and Social Policy** shall be the leading institution acting as the main coordination body for ensuring efficient and effective implementation of measures presented within this Program and achievement of the agreed objectives.

Directly responsible for the practical implementation of specific ESRP priorities and measures, shall be the relevant institutions, organizations etc., which are explicitly noted within the **ESRP Matrix of Objectives and Measures (Annex 1)**, where for each specific measure, the institution in charge is designated, together with the other institutions, partners and stakeholders that are expected to be involved in its implementation.

In addition to the Ministry of Labor and Social Policy, some of the remaining institutions and organizations that shall be directly and to great extent involved in the implementation of the ESRP Programme are the Ministry of Education and Science, Ministry of Health, Ministry of Finance, Ministry of Transport and Communications, Ministry of Economy, the Employment Service Agency of the Republic of Macedonia with its network of local Employment Centres, Social Work Centers, the Institute for Social Activities, State Labor Inspectorate, Center for Adult Education, VET Center, the Bureau for Development of Education, the Local Self-Government Units and many other institutions, organizations and partners which shall coordinate or directly participate in the implementation of specific ESRP measures.

Naturally, it is expected that there will be a strong and significant cooperation and involvement of the social partners, civil society organizations, as well as the many international organizations, donors and development partners, which besides contributing to the drafting process of this Programme, shall largely contribute to its practical implementation, as well.

We strongly believe that the most significant contribution in providing efficient practical implementation of the Program, as well as successful level/degree of tackling identified challenges and accomplishing the established priorities and objectives, shall be ensured through establishing a functional and efficient **mechanism for regular monitoring and reporting** on the pace and the progress in ESRP implementation.

More detailed information on process of monitoring the ESRP implementation is provided below in this Chapter, within the section on *“4.3. Monitoring the ESRP implementation and the achieved progress”*.

4.1 Capacity building and institutional reforms

In addition to what was previously mentioned, one of the key factors that significantly contributes to the proper implementation of the ESRP and implementation of the planned reforms, policies and measures, is, for sure, the **existence of adequate administrative capacities**, both, within the institutions - directly responsible for implementation, but also within the other remaining stakeholders and partners whose participation is necessary in the process of design, implementation and in monitoring the sectoral policies and reforms (such as the social partners, NGO sector, external experts etc.).

Because of these reasons, until now, as well as in the forthcoming period, a particularly attention will be given to the continuing the initiated reforms in public administration and to simultaneous and continuous strengthening the capacities of all remaining relevant stakeholders, especially having in mind the key areas of this sector strategic document – the ESRP. Although, generally speaking, the institutions have the adequate capacities necessary for implementing the reforms and measures planned within the ESRP, however, there is definitely a room for further and continuous improvements. Especially in respect to the further **strengthening the sector approach**, the possibilities and mechanisms for even greater promotion and improvement of the mutual cooperation in design and implementation of the sector policies and reforms, the needs, possibilities and capacities for more successful consideration and looking at the “big picture” when defining and implementing policies and measures which are multi-sectoral, mutually inter-related and the ones that have the scope and impact that goes beyond the responsibilities of only one institution.

Here, we have to mention the necessity to further strengthen the capacities for development and application of mechanisms and tools for monitoring and evaluation of sector policies and activities, development and promotion of mechanisms and good practices for efficient involvement of social partners and the civil sector in the sector-wide policies, further strengthening the capacities and the abilities for efficient utilization of the available and future EU funds, financial and other types of assistance offered and provided by international donors, development partner organizations, financial institutions etc.

This type of capacity building activities will continue to be implemented in the future as well, at various institutions/stakeholders and various levels, and one instrument which is expected to be very important in this respect in the coming years, is the **regional Project on Employment and Social Affairs Platform (ESAP)**, that will be implemented in the next 2-3 years by the Regional Cooperation Council (RCC), the European Commission and the ILO. Among other its objectives, this project will provide valuable assistance to the governments and other relevant institutions/stakeholders from the countries in the region (Western Balkan), in strengthening the administrative capacities for design, implementation and monitoring the employment, education and social-related policies. The project will particularly provide support to the national processes related to the preparation, monitoring and follow up of the integrated Employment and Social Reform Programmes (ESRPs), and this will mainly be accomplished through organization of various capacity building events and activities, such as numerous trainings, workshops, conferences, expert’s assistance, peer-reviews, regional cooperation and regional networking, exchange and transfer of good practices and positive experiences, study visits, regional meetings, producing analyses and studies on particular topics of mutual interest etc.

4.2 Budget and sources of financing

The sources of the financial means allocated for the implementation of the ESRP are, of course, **the Budget of the Republic of Macedonia** (the budgets of relevant state institutions – responsible ministries and organizations), then the support provided by the **European Union funds**, mainly the IPA funds from the previous EU financial perspective 2007-2013 - **IPA I** (the remaining/outstanding share of the contracted budgets for the ongoing projects within the IPA Component IV), as well as the allocated funds from the current IPA financial framework 2014-2020 (**IPA II**). The participation of the local self-government units in financing part of the measures is also expected, of course, in accordance with their possibilities and available budgets.

The implementation of some of the planned reforms and measures is intended to be supported by other bilateral donors, international organizations and development partners present in the country, which provide assistance and support in implementation of sector policies covered by the ESRP, such as ILO, UNDP, USAID, UNICEF, UN-Women, OSCE and other. Part of the measures are planned to be financed with loans provided by international financial institutions - the World Bank, the European Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Investment Bank etc.

Of course, the ESRP includes both, measures for which financial support has already been planned and provided/allocated, but there are also programs and measures for which financing has not been ensured yet, and for which the source of financing will be determined during the implementation of the Programme.

As already pointed out, significant support for the employment, education and social inclusion policies, in general, is being provided through the Instrument for Pre-Accession Assistance of the European Union, within the financial periods/perspectives 2007-2013 (IPA I) and 2014-2020 (IPA II).

For the areas covered with the ESRP, the assistance and support within IPA I has been, and still is being, provided through the IPA Component IV "Human Resources Development". The majority of the remaining (contracted) projects supported by IPA I will end with their implementation towards the end of 2017 and on that basis, during 2017 and 2018 it is expected to be paid/disbursed the **remaining (i.e. outstanding) 11.7 million EUR**. These funds relate to the support of the implementation of active employment measures, support of grant-projects for integration of disadvantaged persons in the labor market, supporting social inclusion of Roma, introduction and promotion of social entrepreneurship, strengthening social dialogue, introduction of standardized services for vocational rehabilitation of persons with disabilities, strengthening the lifelong-learning and modernization of VET and adult education systems, further improvement of the NQF implementation system etc.

The current IPA II financial framework (2014-2020) for the Sector "**Education, employment and social policy**" is still in the stage of programming.

According to the initial plans and projections, for additional EU support in (co)financing the proposed and planned reforms in this Sector, around **50,500,000 EUR** have been planned, however, this amount is still subject of negotiations with the European Commission.

Out of the mentioned planned amount, **approximately 31,200,000 EUR** would be implemented through projects/actions programmed within the first Action Programme for the Sector, starting from 2017 and 2018.

In addition to supporting the continuation of the already started reforms in the abovementioned areas, IPA II will also focus on other topics, such as for example, the intensifying the process of deinstitutionalization and pluralization of social protection services, improving the system for forecasting skills demand in the labor market and its effective linking with the education system at various levels, improving working conditions, etc. All of these, and many other planned reforms, measures and activities, are already covered by the ESRP and, in this respect, the support that will continue to be provided through the EU Instrument for Pre-Accession Assistance, will be of a great importance for the efforts to, as successfully as possible, tackle and address the identified key challenges in this strategic document.

In addition, certain measures included in the ESRP, it is planned to be financially supported also through other IPA II sectors, such as the Sector on "*Competitiveness and Innovation*".

The total indicative budget planned for the implementation of the reforms and measures included in the Employment and Social Reform Programme for the period until 2020, is in the amount of **around 438.8 million EUR**.

These funds allocated for implementation of the ESRP are indicatively distributed, within the three priority areas, as follows:

1. Labour market and employment:	90,116,000 €
2. Human capital and skills:	96,596,000 €
3. Social inclusion & social protection:	252,090,000 €

However, taking into account the multidimensional nature of the planned reforms and measures, as well as their great interconnection, overlapping and complementarity, of course, in certain occasions it is neither expedient nor possible to make a clear and precise distinction - in exactly which area particular activity(ies) belong, and likewise, the budget allocated for its implementation.

More detailed description of the financial means and the planned sources of funding allocated for implementing specific objectives and measures is presented in the accompanying table, i.e. **ESRP Matrix of Objectives and Measures (Annex 1)**.

Of these funds, as previously mentioned, for the period until 2020, the estimated IPA support is in the amount of about **43 million EUR** (11.7 M€ through IPA I and 31.2 M€ within IPA II).

In addition, significant funds are planned to be provided also through loans from the international financial institutions, such as the projected more than 100 million Euros from the Council of Europe's Development Bank for financing particular important projects (e.g. for construction, re-construction and modernization of health-care institutions/clinical center, then the project for providing access to housing for socially vulnerable groups - including Roma, project for improving overall conditions in primary and secondary schools, by schools rehabilitation, construction of sports halls etc.). For some of the activities included in the ESRP, support has also been planned through loans in the area of social protection and education, such as the World Bank (Skills Development and Innovation Support Project) which will provide around 2.7 million EUR in the forthcoming period for supporting activities related to VET and higher education; the European Bank for Reconstruction and Development (e.g. about 30M€ loan to support the competitiveness and innovation of SMEs – the amount that is not included in the overall ESRP budget) etc.

4.3 Monitoring the ESRP implementation and the achieved progress

An appropriate operational **framework and mechanism for monitoring of the ESRP** shall be established, in order to ensure consistent and coordinated implementation of the objectives and measures laid down in the Employment and Social Reform Programme, as well as regular and continuous monitoring of the achieved progress in its implementation.

As with the preparation of the ESRP, the monitoring process will be coordinated by the Ministry of Labour and Social Policy, with active participation of all other relevant state institutions, social partners and non-governmental sector that participated and were consulted also in the process of preparation of this strategic document.

The mechanism responsible for monitoring the implementation of ESRP and the achieved progress, will consist of the already established framework, i.e. structure for coordination and monitoring of sectoral policies (education, employment and social policy).

Namely, the sector-wide approach introduced with the IPA Regulation for the financial perspective 2014-2020, inter alia, requires sound coordination of policies, strategies and sources of financing within a specific sector of intervention, in order to ensure effective management of the reform processes and the available resources. The Government of the Republic of Macedonia, on its 65th Session, held on March 31, 2015 and 78th Session (June 8, 2015), has adopted the **model of sector policy coordination** and it established the bodies responsible for its implementation. The coordination is based on the participation of relevant ministries, the donor community, civil society and social partners.

Coordination is exercised on three levels:

- level of the Government (policy level);
- the level of State secretaries;
- civil servants' level (operational/technical level) organized in so called sector working groups.

The Sector working groups have been formally established with a Decision of the Government of the Republic of Macedonia No. 42-7457/1, as of July 14, 2015.

The Working Group for the Sector "Education, Employment and Social Policy" held its constitutive meeting on 4th of November 2015. According to the Rules of Procedure, it has a multipurpose mandate, but primarily it acts as an inter-agency forum for policy dialogue in the Sector and for assessing the progress in implementation of the Sector policies and the institutional capacities. Furthermore, the Sector Working Group is a platform which discusses and sets the priorities to be financed by the EU, monitors its implementation and ensures donor coordination. Finally, if necessary, the Sector Working Group will also support the preparation and monitoring of the National Programme for Adoption of the Acquis (NPAA) or other relevant issues/topics related to the integration of Macedonia into the European Union.

The Sector Working Group is coordinated by the Ministry of Education and Science and the Ministry of Labour and Social Policy and has members - representatives from the institutions responsible for creation of sector policies and strategies, European integration, IPA, budget management, etc.

The composition of the group is presented in the table below.

Table 27. Composition of the Sector Working Group

Sector: EDUCATION, EMPLOYMENT AND SOCIAL POLICY				
Coordinator	Basic working group	Other members (if necessary)	Donors and International Financial Institution	Corresponding NPAA Chapters
<ul style="list-style-type: none"> - Ministry of Labour and Social Policy - Ministry of Education and Science 	<ul style="list-style-type: none"> - Ministry of Education and Science - Ministry of Labour and Social Policy - Cabinet of the Prime Minister of the GRM - Ministry of Finance/CFCD - Secretariat for European Affairs - Cabinet of the Vice President of the GRM responsible for economic affairs 	<ul style="list-style-type: none"> - Ministry of Health; - Ministry of Information Society and Administration; - Cabinet of the Minister – Coordinator of the Roma Decade - Vice President of the GRM responsible for implementation of the Ohrid Framework Agreement; - Employment Service Agency of the Republic of Macedonia; - Representatives of the civil society sector, academics, social partners; - Other bodies and agencies with competences in the Sector (for e.g. Agency for Youth and Sports, the National Agency for European educational programs and mobility, VET Centre, Centre for AE etc.) depending on the areas and priorities within the specific programming documents. 	<ul style="list-style-type: none"> - EU - Switzerland - France - Germany - UNDP; - UNISEF; - USAID - World Bank - European Bank for Reconstruction and Development - Credit Bank for Reconstruction - KfW - European Investment Bank - Council of Europe Development Bank. 	<ul style="list-style-type: none"> - Chapter. 2: Free movement of workers; - Chapter 19: Social policy and employment; - Chapter 26: Education and culture.

The Working Group integrates into its operations the development partners, non-governmental sector and other relevant stakeholders. The stakeholder cooperation is accomplished through consultation, information-sharing, partnership and so on. Given the fragmentation of the civil society within this Sector, in the initial period they will be included through consultations on thematic basis.

In the first year of its operation, the Working group was focused on defining and monitoring of the measures to meet the sector approach criteria.

In respect to the criteria of having in place relevant and credible sector policies, it was agreed that the Employment and Social Reform Programme will represent the single coherent strategic framework for the Sector, as it brings together employment, education and social policies and it has clear priorities and long-term reform-oriented objectives. The Sector Working Group is at the same time, the main mechanism to assess whether the necessary institutional capacity to implement reforms is in place and whether and what kind of measures need to be taken to improve them.

In the upcoming period, the Working group should adopt a *performance monitoring framework* for the Sector policies, based on indicators and sources of information. In this regard, the indicators which are an integral part of the ESRP will also represent the framework for monitoring the performance of the Sector "Education, employment and social policy".

In respect to the implementation and monitoring of the pre-accession assistance, the Sector Working Group has identified the needs and strategic priorities and actions that would be financed from IPA. In the future, the group should assess if the actions financed from IPA contribute to the Sector objectives and what is their impact and sustainability. If some of the IPA funded activities are implemented by the national IPA structures, in accordance with the Regulation, a **Sectoral Monitoring Committee** shall be established, with the role to monitor the progress in the implementation of the actions, their effectiveness, efficiency, quality and coherence.

Having in mind the composition and the responsibilities of the Sector Working Group, this body is considered as the most appropriate to be entrusted with the monitoring and assessment of the progress in the Employment and Social Reform Programme implementation.

The Ministry of Labour and Social Policy will coordinate the preparation of the annual progress reports, which will be further considered and discussed by the Working group. The group will assess the progress towards meeting the objectives, achievement of planned outputs and results, will review the challenging issues and will propose measures to address them. This task and additional duties related to the regular monitoring and reporting on the progress of ESRP implementation, will be appropriately reflected and incorporated within the Working Group's Rules of procedure.

We believe that this proposed approach will enable streamlining and harmonization of the methodologies and processes for preparation, monitoring and evaluation of the relevant national policies and strategies, as well as the relevant EU integration – related programs and processes in this important sector.

