



International
Labour
Organization



DECENT WORK COUNTRY
PROGRAMME 2023–2025

NORTH MACEDONIA



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LIST OF ACRONYMS

ALMP	Active Labour Market Policy
ALMM	Active Labour Market Measures
ASLD	Amicable Settlement of Labour Disputes
BCM	Business Confederation of Macedonia
CA	Collective Agreement
CCA	Common Country Analysis
DWCP	Decent Work Country Programme
DWT/CO	Decent Work Team/Country Office
EBMO	Employer and Business Membership Organisations
EC	European Commission
ESA	Employment Service Agency
ESC	Economic and Social Council
EU	European Union
GDP	Gross Domestic Product
ILO	International Labour Organisation
ILS	International Labour Standards
LEP	Local Employment Partnership
LESC	Local Economic Social Council
NEET	Not in Education, Employment, or Training
NES	National Employment Strategy
OEM	Organisation of Employers of Macedonia
P&B24-25	ILO's Programme and Budget for 2024-25
RBM	Results-Based Management
S3	Smart Specialisation Strategy
SAA	Stabilisation and Association Agreement
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
TAF	Technical Assistance Facility
TU	Trade Union
UN	United Nations
UNCT	United Nations Country Team
UNSDCF	United Nations Sustainable Development Country Framework
YG	Youth Guarantee
YGIP	Youth Guarantee Implementation Plan

1 INTRODUCTION

Why is a Decent Work Country Programme needed?

Decent Work Country Programmes (DWCPs) are the main planning frameworks for the delivery of support by the International Labour Organization (ILO) to member countries. DWCPs use the Results-Based Management (RBM) approach adopted by the ILO for the cooperation framework. They outline a medium-term plan that identifies the priorities and objectives developed and agreed upon with the Government, trade unions, and employers, which guide the work of the ILO in a country.

How was the programme developed?

This programme document is a result of the strategic planning of ILO cooperation activities in North Macedonia for the period 2023–2025. It was prepared in consultation with the Government and the social partners with the aim of guaranteeing rights at work, creating employment, and promoting social dialogue—all key components of economic and social policies and development. The new DWCP supports the reform agenda outlined in the Programme of the Government 2022–2024¹, which focuses on developing the economy and raising the standard of living. The new DWCP also contributes to the Government's efforts to achieve the Sustainable Development Goals framed in the "Sustainable Development Cooperation Framework—United Nations Strategy for 2021–2025", especially by contributing to the priority to improve the living standard of all people in North Macedonia through equal access to decent work and productive employment generated by an inclusive and innovative business ecosystem.² The UN Common Country Analysis (UN CCA), which underpins the Cooperation Framework fully reflects the country's decent work situation and ILO constituents' key concerns and serves as source for the DWCP.

The new DWCP supports the national development priorities as spelled out by the National Employment Strategy 2021–2027, Economic Reform Programme 2023–2025, Youth Guarantee Implementation Plan 2023–2026, Economic and Social Council Action Plan 2023–2025. The programme is aligned with the ILO's Istanbul Initiative for the Centenary: Future for Decent Work for strong and responsible social partnership in Europe and Central Asia.

A high degree of continuity exists through successive DWCPs. The current programme continues with the same priorities, which reflects a long-term vision and commitment towards the realization of the Decent Work Agenda.

What are the challenges to work on?

The key challenges addressed by the DWCP are insufficient employment opportunities, inadequate earnings and unproductive work, lack of stability and security at work, unequal opportunities and treatment in employment for women and men, unsafe work environment, including gender-based violence and harassment at work, and lack of voice through representation.

The programme tackles these decent work deficits by improving the governance of the labour market and through the creation of more and better jobs, in line with relevant International Labour Standards. The programme is poised to support the legal and policy reforms prescribed by the EU accession process, especially with regard to the negotiations

around Chapter 19 on employment and social policies, where the ILO has a clear mandate and technical expertise.

Based on lessons learned from past cooperation and recent consultations with the constituents, the current programme focuses on two priorities with a total of six outcomes. These are:

Priority	Outcome	Contributing to UNSDCF
1. Inclusive labour market through enhanced social dialogue	1.1 Improved collective bargaining coverage and enhanced outreach of amicable labour dispute resolution	UNSDCF Output 1.3: Enhanced and gender-responsive policy and regulatory measures that foster job creation, entrepreneurship and financing for inclusive and green growth
	1.2 Strong Employers' and Workers' Organizations with quality expertise in policies and good, gender responsive services for members	UNSDCF Output 1.3: Enhanced and gender-responsive policy and regulatory measures that foster job creation, entrepreneurship and financing for inclusive and green growth
	1.3 Labour legislation harmonized with the International Labour Standards and related EU <i>acquis</i>	UNSDCF Output 1.3: Enhanced and gender-responsive policy and regulatory measures that foster job creation, entrepreneurship and financing for inclusive and green growth UNSDCF Output 1.4: Improved quality of employment through measures for transition to formality and adequate protection at work in compliance with International Labour Standards
2. More and better jobs for inclusive growth and improved employment prospects for young women and men	2.1 National employment policies implemented by the Government	UNSDCF Output 1.2: Women and vulnerable/excluded persons benefit from supportive environment through tailored employment measures and a more dynamic and inclusive skilling system that responds to labour market needs for all people UNSDCF Output 1.3: Enhanced and gender-responsive policy and regulatory measures that foster entrepreneurship and financing for inclusive and green growth in line with EU standards UNSDCF Output 1.4: Improved quality of employment through reduced under-employment, informality and adequate protection at work in compliance with International Labour Standards
	2.2 Youth Guarantee Plan 2023–2026 implemented	UNSDCF Output 1.2: Women and vulnerable/excluded persons benefit from supportive environment through tailored employment measures and a more dynamic and inclusive skilling system that responds to labour market needs for all people
	2.3 Increased competitiveness of enterprises in selected sectors through better working conditions and the application of just transition principles	UNSDCF Output 1.1: Sustainable enterprises created as generators of employment, decent work and innovations through strengthened value chains and increased capacities to adopt new business models, to enhance productivity and competitiveness

2 ECONOMIC AND SOCIAL CONTEXT

Aim to reach EU economic development and standards of living

North Macedonia was the first Western Balkan economy to sign a Stabilisation and Association Agreement (SAA) with the European Union in 2001, setting the way forward for an alignment with EU standards. The country applied for EU membership in 2004 and the status of EU candidate country was given a year later. Since 2009, the EU Commission has continuously recommended that the EU Council opens accession negotiations with North Macedonia. In 2020, the Council decided to open accession negotiations and these negotiations started in mid-2022 with the first intergovernmental screening meetings. The negotiations are important as the EU continues to be the biggest trading partner of North Macedonia (almost 80% of the Macedonian exports go to EU, 2021). Moreover, the recent history of EU enlargement since the early 2000s shows that it helped the new member states to catch up regarding economic development and standards of living.

Slow income convergences with EU countries

Since its independence in 1991, North Macedonia has made considerable progress in terms of economic development and integration into global economic markets. Despite these achievements the country is experiencing one of the slowest income convergences with EU countries compared to peers in the Western Balkan region. In 2000, the country's per capita income was 28 per cent of the average EU income; in 2021 the national income per person reached 38 per cent of the EU average.

Volatile economic growth and slow recovery of labour market

Economic growth in the past two decades has been very volatile due to several external and domestic shocks including the deep political crisis in the years 2014 to 2017 and the COVID-19 pandemic. While the economy recovered faster than expected from the COVID-19 pandemic (GDP growth rate in 2021: +4 percent), the effects of Russia's invasion in Ukraine (energy crisis, inflationary pressures) have reduced the growth momentum. The much-needed recovery of labour markets is lagging. The pandemic has further exposed the structural labour market problems from before COVID-19 and the current slowdown of global economic growth. These challenges are low labour market participation, in particular among women and youth, low job creation, inadequate earnings, and unproductive work.

Depopulation due to ageing and emigration

According to the latest census results from 2021, the total resident population of the Republic of North Macedonia is 1,8 Mio inhabitants. The country lost almost 10 per cent of its population between 2002 and 2021 and is one of several depopulation hotspots in Eastern and Southeastern Europe mainly due to ageing of the population and continued emigration. According to the data of the State Statistical Office, in 2022, the labour force numbered 808,078 persons (59.4 per cent of them are men), of which 692,034 (58.5 per cent of them are men) were employed and 116,045 unemployed (64.8 per cent of them are men).

2.1 Main trends in the labour market

High unemployment and low employment rates

The Macedonian labour market is characterized by high unemployment, and low employment and participation rates although improvements could be observed in the last decade. Nevertheless, gender gaps in activity and employment rates have been persistent. The activity rate (15–64) in 2022 was 66.4 per cent, with an activity gender gap of 24.1 percentage points (78.4 per cent for men versus 54.3 per cent for women). Lack of paternity and parental leaves and flexible working arrangements, and the limited availability of early childhood care and education (only 6 per cent of children below 3 years and 40 per cent of children between 3 and years old are enrolled) are key reasons.

In 2022 the employment rate (15–64) was 56.7 per cent, still far behind the EU average (69.8 per cent). The employment gap between men and women amounts to 18.4 percentage points and is almost twice as high as in the EU. The employment rate of young people (15–29) was 34 per cent, well below EU rate of 49.2 per cent.

Decreasing informality

Informality halved between 2010 and 2022, from 24.9 per cent to 12.3 per cent in 2022, with higher percentage of men engaged in informal employment compared to women.

Stable share of temporary employment

A recent [ILO analysis](#) conducted for the period 2010-2020 shows that the share of temporary employment is relatively stable, with some fluctuations across the years. During the analysed period, between 12.6 per cent and 17.8 per cent of the workers were employed on a temporary basis, and the remaining share has entered a permanent work contract. Very few workers in North Macedonia worked in part-time jobs, only 4 per cent of workers in 2020.

Inactivity and unemployment of youth a continued challenge

Despite the significant impact of the COVID-19 pandemic on the economy, North Macedonia's unemployment rate has continued to decrease, following a decade-long trend. It still remains at a high level, twice as high as in the European Union, although it reached its lowest point in 2022 and stood at 14.4 per cent, with youth unemployment (15–29) of 25.2 per cent. Another challenge apart from youth unemployment is youth inactivity. 73,574 young Macedonians (52 per cent female), or almost one out of five was neither in employment nor in education and training in 2022.

Moreover, the share of long-term unemployed (unemployed for more than 1 year) in North Macedonia is very high (73 per cent of all unemployed in February 2023³).

SMEs produce a high share of national value added

Like in the European Union Macedonian SMEs account for more than 99 per cent of all firms. However, these firms provide even more of the existing jobs in the small landlocked country of Western Balkans than in the EU (74 per cent vs. 64 per cent in EU) and produce a significantly higher share of national value added than elsewhere in Europe (68 per cent vs. 52 per cent in EU)⁴. Therefore, it is important for North Macedonia to further exploit the job creation potential of SMEs. The country is improving in this area. While the share of SMEs in total employment was at 58 per cent in 2017, it increased to 74 per cent in 2020. A recent assessment of SME policies confirms good progress on support services to SMEs, access to finance, innovation, and internationalization. It requests for more efforts in entrepreneurial learning, women's entrepreneurship, and enterprise skills⁵.

Tripartite social dialogue played an important role during the pandemic

Significant advancement of the tripartite social dialogue and stagnation of the bipartite social dialogue can be observed in North Macedonia in the last decade. The Economic and Social Council started to play a more significant role in shaping national economic and social policies. During the COVID-19 pandemic, the ESC established the first anti-crisis task team, requested and discussed the first assessment⁶ of the initial impact of the crisis on the Macedonian economy and labour market. Furthermore, the ESC was the forum where several of the government anti-crisis packages were discussed in 2020 and 2021. In 2022 and 2023 the ESC continued to be actively involved in discussing the main challenges and solutions to the crisis.

Inactive collective bargaining in the private sector

In contrast, since 2016, collective bargaining in the private sector at the branch level has been characterized by pronounced inactivity among the contracting parties. One of the reasons for such passivity is the long “wait” for a new Labour Relations Law to be adopted after more than five years in drafting. However, this cannot be considered as the sole reason for the lack of progress on collective bargaining in the private sector, since in the public sector five new CAs were concluded.⁷ During the COVID-19 pandemic, collective bargaining was reduced to a minimum both in the private sector and in the public sector. Trade unions and the employer associations focused on tripartite social dialogue within the Economic and Social Council during the health and economic crisis.

Ratification of additional ILO Conventions planned

The Republic of North Macedonia has ratified 79 ILO Conventions, including all 10 fundamental conventions. In this respect, it should be noted that the Economic and Social Council regularly discusses the ratification of new ILO Conventions and has recommended the ratification of three new Conventions in the last four years. In December 2022, the ILO Convention No. 190 on Eliminating Violence and Harassment in the World of Work entered parliamentary procedure in the Macedonian assembly, following the recommendation by the Economic and Social Council and the Government. The ratification of Convention 190 is particularly important as a 2019 study⁸ highlights that gender-based discrimination at work affects women more than men and is more prevalent in the private sector. Despite its high prevalence, violence and harassment in the world of work is under-reported. The reasons include the normalization and justification of violence and harassment; the lack of knowledge about the legal framework and the existing institutions for its enforcement; the limited trust in the compliance mechanisms and the fear of stigmatization. Traditional gender roles and stereotypes are among the root causes of gender-based violence and harassment in the world of work and contribute to its tolerance and justification.

2.2 Lessons learned from past cooperation

Strong commitment of beneficiaries to the DWCP continues

The strong and continuous commitment of beneficiaries to actively participate in the DWCP implementation has contributed to achievement of good results. Quality technical advice, targeted action, tools and support tailor made to the needs of constituents were also a contributing factor.

Need for a more active tripartite DWCP Overview Board

The need for active tripartite DWCP Overview Board has been already identified by the previous review. The need for regular meeting of such a body is needed to promote, monitor, and adjust the DWCP to realities.

The lack of regular annual reports that capture progress of the implementation for the entire DWCP limits the assessment of advancement towards planned outcomes.

2.3 ILO's comparative advantage

Flexible technical assistance from the ILO from structural reforms to practical guidance on service delivery

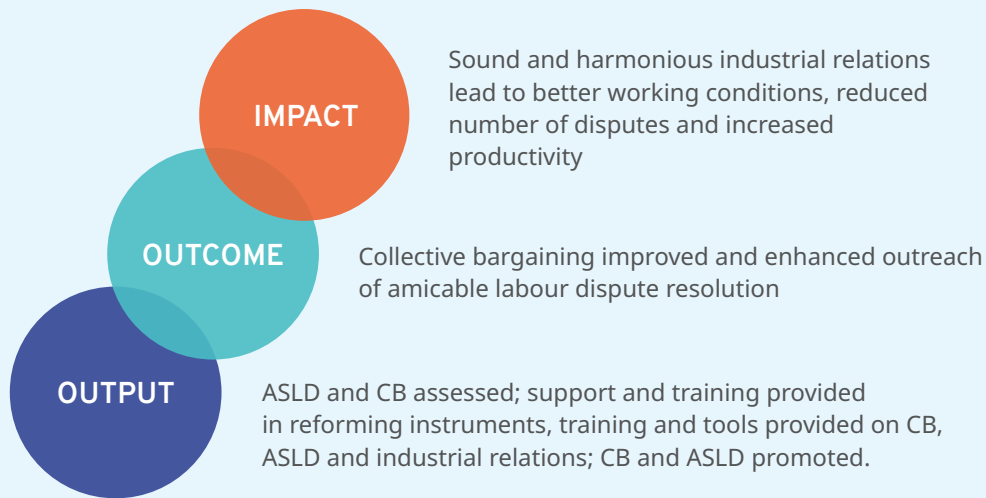
With a permanent presence in the country since 2009, and assistance through the Decent Work Country Programme (DWCP), the ILO supports the tripartite constituency in overcoming the challenges concerning labour law reforms; social dialogue; informality and employment, all guided by its body of International Labour Standards and the principle of tripartism. For instance, in recent years, the ILO worked on promotion of social dialogue as a key instrument for promoting economic and social cohesion, good governance, and the creation of more and better jobs, by strengthening the role of the social partners to become influential actors at national and local levels, providing evidence-based analyses and policy positions, and offering new and modern and gender responsive services to their membership.

Moreover, the ILO is the only institutional partner to North Macedonia for the introduction and implementation of the Youth Guarantee.

The ILO provides flexible and bespoke technical assistance, ranging from policy advice on the required structural reforms to practical guidance on the service delivery mechanisms and is seen as a well-known and reliable partner.



▶ INTERVENTION MODEL



▶ MEASURES OF PERFORMANCE

Outcome indicators:

Collective Bargaining coverage rate

BASELINE

49% (2022)

TARGET

2 percentage points increase by end of 2025

Newly negotiated collective agreements include gender clauses

BASELINE

0

TARGET

at least one more CA include gender clauses

Number of labour disputes referred to system for amicable settlement of labour dispute

BASELINE

3 cases (2022)

TARGET

At least **3** more cases each year

3 COUNTRY PRIORITIES AND OUTCOMES

Priority 1 Inclusive labour market through enhanced social dialogue

The rationale for intervention

Outcome 1.1 *Improved collective bargaining coverage and enhanced outreach of amicable labour dispute resolution*

Developing and fostering social dialogue is an essential element of the European social model, since social dialogue plays a crucial role in promoting competitiveness, sharing the gains, and enhancing economic prosperity and social well-being for all.

In the period 2010–2022, the infrastructure of the national ESC was established, and the capacity of the council was significantly enhanced. The ESC now plays a more prominent role in shaping the economic and social policies, including the minimum wage, anti-crises relief packages, and Youth Guarantee. Linkages with the Local Economic and Social Councils (LESCs) are still weak.

Bipartite social dialogue faces more serious challenges, and the Government and the social partners need support to fully develop collective bargaining. Collective agreements need to better reflect the specific interests and needs of workers and employers in certain sectors. Future agreements also need to include more substantial regulations of working conditions and terms of employment including new forms of employment and be gender responsive. As North Macedonia has ratified key ILO Conventions concerning collective bargaining, including Convention Nos 98 and 154, it has clear obligations to ensure their application, in law and practice.

In addition to promoting social dialogue the ILO has provided technical assistance to the Government to establish the mechanism for amicable settlement of labour disputes (ASLD). However, the outreach of ASLD is still limited. There are some encouraging results concerning the settlement of collective disputes (3 prominent cases of disputes or strikes resolved in 2022), but the system has never been used to solve individual disputes.

The ILO will support tripartite constituents to formulate suggestions on how to improve the outreach of ASLD in North Macedonia. This includes the preparation of a complete legal package relating to the resolution of labour conflicts (both collective and individual).



Theory of change

If the constituents with the support of the ILO undertake an assessment of the current system of ASLD and collective bargaining and if the ILO provides support in reforming these instruments, and if the ILO provides trainings and tools on collective bargaining, labour dispute resolution and industrial relations, and if the ILO helps the Government and the social partners to promote the advantages of collective bargaining and amicable settlement of labour disputes,

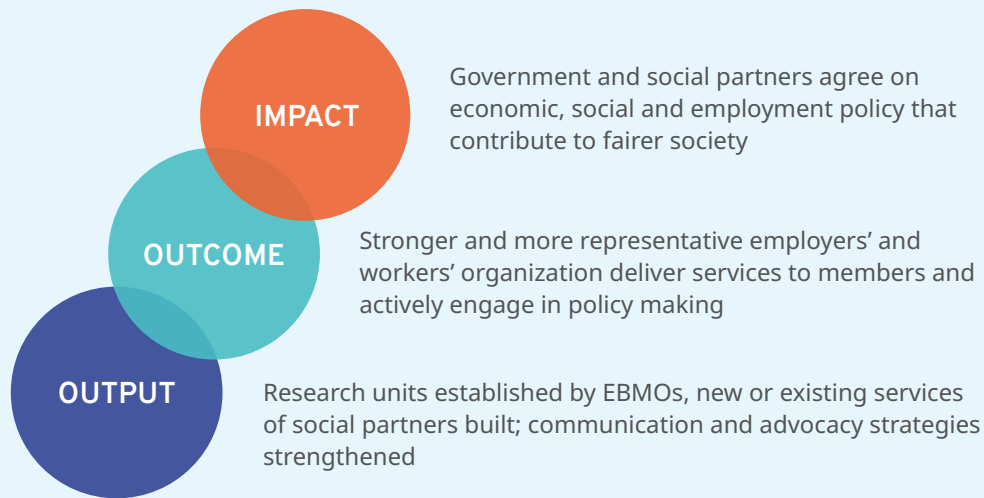
...then workers and trade unions as well as employers and employers' organizations will more often make recourse to conciliation or voluntary arbitration to settle their disputes and engage more in collective bargaining using collective agreements to determine working conditions,

...which will lead to reduction of labour disputes, number of labour litigations in court, reduced cost of disputes, a lower number of workdays lost by strikes, and sound and harmonious labour and industrial relations contributing to better working conditions and increased productivity.

The main risk in achieving the planned outcome is the potential shift of priorities by tripartite partners for the necessary amendment of legal instruments that will better facilitate collective bargaining and amicable labour dispute settlements. This will be mitigated through regular and close contact with the stakeholders throughout the process, that will allow adjusting the implementation plan if needed.

The planned changes will contribute to the achievement of ILO P&B24-25 Strategic Policy Output 2.3 and SDG Targets 8.8. and 16.3.

▶ INTERVENTION MODEL



▶ MEASURES OF PERFORMANCE

Outcome indicators:

Trade union density rate

BASELINE

16.7% in 2019

TARGET

20%

Number of members of the employers' organizations

BASELINE

OEM — **17** sectoral associations and **121** individual members
BCM — **12** employer and business associations and **184** individual members

TARGET

10% increase

Number of women presidents, vice-presidents, CEO/secretary-generals of TUs

BASELINE

0

TARGET

At least **33%**

Number of initiatives submitted by the EBMOs to the Economic and Social Council



Number of initiatives submitted by the TUs to the Economic and Social Council



Outcome 1.2 *Strong employers' and workers' organizations with quality expertise in policies and good, gender responsive services for members*

The rationale for intervention

The social partners of North Macedonia played an important role in shaping the response policies to the COVID-19 crisis. Both workers' and employers' organizations made progress in modernising their organizations and services i.e., improving internal management systems, communication strategies and introducing new services to members which led to increase of their membership. Nevertheless, in order to influence policies, they need to become a stronger player and need further support.

Despite the COVID-19 crisis taking a heavy toll on the Employer and Business Membership Organisations (EBMOs), as reflected in the decline in membership and income from membership dues, the organizations managed to stabilize and bounce back strongly, increasing membership above pre-pandemic levels. By providing high quality and timely evidence-based input that shaped the Government's response to the crisis, the EBMOs positioned themselves as an important and influential player in policy making. The EBMOs innovated by augmenting their membership services offer and took a more commercially oriented approach towards service delivery by implementing a charge for selected services, thereby generating new income streams.

This positive outcome notwithstanding, further support will be needed to help the EBMOs to consolidate their recovery and foster institutional sustainability. To this end, the ILO will continue supporting the EBMOs in developing a systematic and evidence-based approach to advocacy. This will be achieved by establishing an internal research unit within the EBMOs and equipping them with relevant research tools. Additionally, owing to the recent amendments to labour legislation, some current services will need to be updated. More broadly, a greater emphasis will be placed on building a systematic and structured approach to service delivery by the EBMOs. Last but not least, assisting the EBMOs in developing innovative communication and membership strategies is expected to contribute to achieving all the aforementioned efforts.

Adjustments that were made by the trade unions of North Macedonia to their services during COVID-19 pandemic have proved to have long-term effect. In one case, the Federation of Trade Unions of Macedonia was assisted in developing a mobile phone app where workers can report any violations of their rights or dangerous working conditions directly to the union. Reports of violations are automatically recorded so that the union can follow up anytime. In addition, trade union has negotiated with the labour inspectorate so that if workers would like their report to be forwarded to the labour inspectorate, this can be done through the application (based on this successful experience, trade unions in Serbia, Montenegro and Moldova also launched similar applications for their workers in 2022). This has helped them to improve their engagement with the state labour inspectorate, making it more meaningful and evidence based.

Building on this success, trade unions plan to update some of their services in the area of legal consultations and advocacy, negotiations and labour dispute resolution, and employment and skills development. This will require the unions to better understand the needs of their rank-and-file members, with strong focus on women, youth, and persons with disabilities.

Theory of change

Serious gaps remain in national social dialogue, although North Macedonia has ratified Convention No. 144. Trade unions observe that the national tripartite body frequently disregards and bypasses them when important policy and legislative matters are discussed by the authorities. In early 2023 the legislative changes allowed derogation of safeguards (limitation to the working week) for projects of strategic importance, intended mostly for the construction sector, in order to facilitate the completion of two highways without any disruption. Meanwhile, trade unions face the challenge to fully embrace the potential of gender equality that exists in their organizations. Raising awareness and building capacity as well as sharing experience of successful implementation of gender-responsive policies will help unions to promote more women to decision-making positions, make social dialogue more inclusive and better reflect gender aspects into collective bargaining agreements.

If the social partners with the support of the ILO build a systematic and evidence-based approach to advocacy, with priority to those participating in the Economic and Social Council; and if the ILO assists employers' and workers' organizations to systematically assess their members' needs and further develop their service offer; and if the ILO supports both social partners to revise, innovate and further implement their gender-responsive communications plans; and if the ILO supports trade unions to further integrate the policies and standards of the Global Union Federations (to which North Macedonian trade unions are affiliated with) in the area of gender equality into the charters of the latter,

...then the social partners will

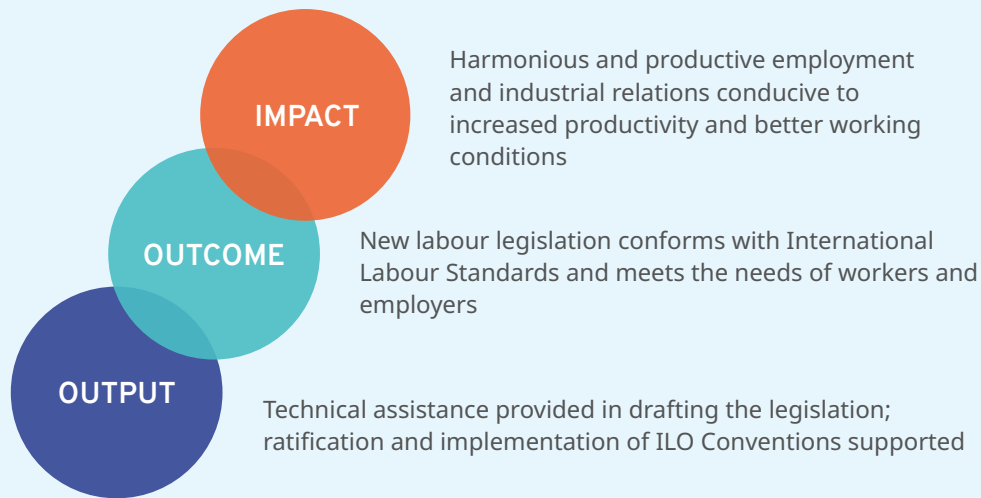
- ▶ be better equipped to provide quality policy advice, deliver demand-driven services, and will have a gender-balanced leadership;
- ▶ have a more prominent public image and chances to further increase their membership and financial sustainability;
- ▶ acquire higher representativeness and their influence over economic and social policy will rise;

...leading to economic and social reforms that work for everyone.

The main potential risk to achieve the expected result is low reach out of social partners to members and potential members. To mitigate this the ILO will support social partners in strategic communication planning to ensure better targeting of members and potential members.

These changes will contribute to North Macedonia's achievement of ILO P&B24-25 Strategic Policy Output 2.1, 2.2 and SDG Targets 8.3⁹, 8.5¹⁰, 8.8¹¹, 16.7¹² and 16.10¹³.

▶ INTERVENTION MODEL



▶ MEASURES OF PERFORMANCE

Outcome indicators:

ILO Recommendations, including those addressing gender-related gaps, are reflected in the proposed changes of the labour legislation



Ratification of three ILO Conventions (as determined by the ESC) by the end of 2025



The rationale for intervention

Outcome 1.3 *Labour legislation harmonized in line with the International Labour Standards and related EU acquis*

Conformity of national legal and institutional frameworks with International Labour Standards (ILS) and the EU *acquis* is an international obligation of the state as a member of the ILO and a key element of future EU accession negotiations.

The Government continues to work towards improved conformity with International Labour Standards and the EU *acquis*. During the previous DWCP (2019–2022), the ILO provided technical comments to the amendments to the Law on the Minimum Wage (adopted in 2022) and the draft Law on Labour Relations, including recommendations regarding the non-standard forms of employment.

For the period 2023-25 the Government of North Macedonia envisages to finalise the new Labour Relations Law, amend the Law on Amicable Settlement of Labour Disputes, draft new legislation on violence and harassment at work and new legislation on casual employment. The ILO will continue to provide further technical assistance, facilitate tripartite consultations and give technical support for drafting the new labour legislation in compliance with the ILO Conventions and EU Directives.

The areas where the ILO's specific expertise is to be provided are freedom of association and the right to collective bargaining, amicable settlement of labour disputes, strike regulation, employment protection, working time arrangements, gender equality, violence and harassment at work, minimum wage and wage fixing, and regulation of non-standard forms of employment, in line with relevant ILS and the observations and conclusions of the ILO's supervisory bodies.

Theory of change

If the constituents implement the ILO comments on the draft labour legislation; and if the ILO provides technical backstopping to the tripartite drafting working groups; and if the ILO supports the process of ratification and implementation of ILO Conventions,

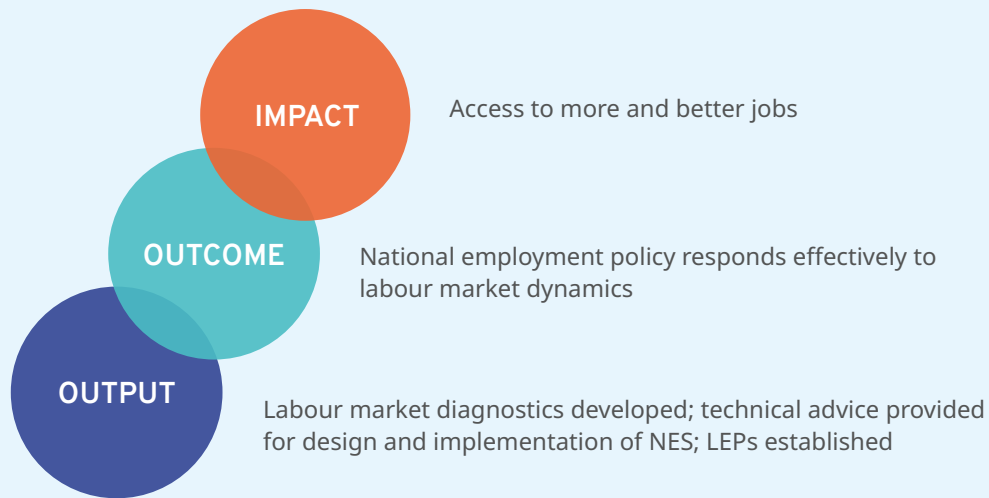
...then the new labour legislation will conform to the ILS and the EU *acquis* while meeting the needs of both workers and employers,

...leading to harmonious and productive employment and industrial relations conducive to increased productivity and better working conditions.

The main risk to achieve the outcome is shifting political commitment of constituents. The mitigation strategy includes regular and strong advocacy for decent work and strengthening existing or seeking new partnerships to promote decent work and ILS.

The action supports North Macedonia to achieve progress on ILO P&B24-25 Strategic Policy Outputs 1.2, 5.3 and SDG Targets 8.5¹⁴ and 8.8¹⁵.

▶ INTERVENTION MODEL



▶ MEASURES OF PERFORMANCE

Outcome indicators:

Government budget allocated for employment policy

BASELINE

€32 million

TARGET

At least **3%** nominal increase in the budget allocations for ALMPs

Number of LEPs

BASELINE

1

TARGET

At least **6** additional LEPs implemented

Priority 2 More and better jobs for inclusive growth and improved employment prospects for young women and men

Outcome 2.1 National employment policy more responsive to labour market needs

The rationale for intervention

Ensuring decent employment opportunities for all women and men in the Republic of North Macedonia is a priority of the Government. In 2020, the ILO supported the Government and the social partners in developing a comprehensive 2021–2027 National Employment Strategy (NES), which entails a series of concerted policy actions touching upon education and training, economic and enterprise development and labour market policies, to tackle the challenges instigated by the COVID-19 and the subsequent crises.

The objectives of NES are threefold and seek to ensure: (i) improving the quality of education and training outcomes for all; (ii) enhancing the role of the economic and enterprise development policies in generating decent jobs; and (iii) strengthening the inclusiveness of labour market policies. Such policy objectives are expected to contribute to a reduction of the vertical skills mismatch, the increase of the participation of adults in training, the lowering of unemployment among youth and adults, the reduction of the gender employment gap and the lowering of the share of people at risk of poverty and social exclusion.

In support of objective (ii) of NES the ILO will build on previous achievements and will continue to support the development of Local Employment Partnerships, as a decentralized implementation of employment policy catalysed by the local ESCs, to complement active labour market policies (ALMPs) or other policy interventions such as the Youth Guarantee.

The Employment Service Agency (ESA) is the primary agency responsible for planning and implementation of active labour market measures (ALMM). However, the needs assessment of the Employment Services Agency (ESA) shows that there is a significant need of specialized training for both managers and employees, to improve their skills, knowledge and competencies to more effectively implement the NES. Hence, the ILO will support the development of a self-paced online learning platform, which will be relevant as an onboarding training for the new staff and refresher for the existing staff.

Theory of change

If the Government with the support of the ILO implements the NES and it develops labour market diagnostics, based on ILO guidance tools, and technical advice, and if the local ESCs establish LEPs with the ILO support,

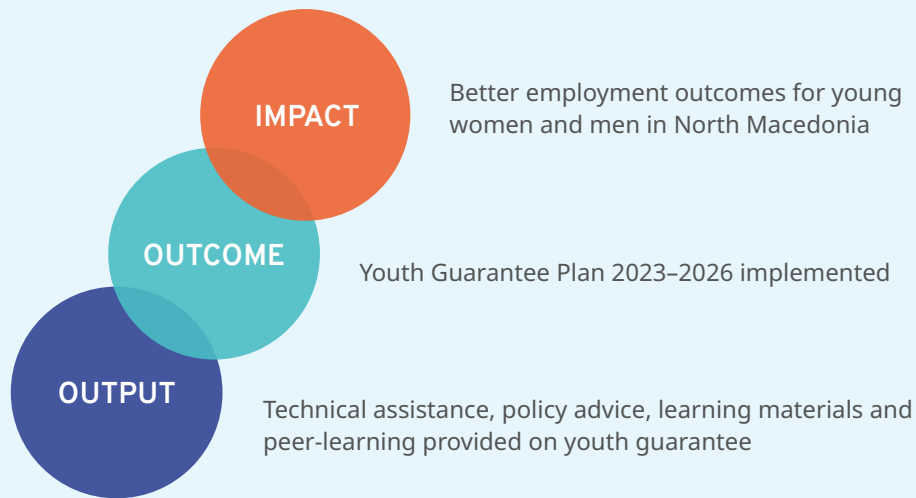
...then the Government will be better placed to implement the national employment policy, building on new dynamics on the local labour markets and collaboration among local stakeholders,

...leading to an access to more and better jobs.

The main risk for achieving the planned outcome is lack of sufficient resources. In order to mitigate this risk tripartite partners and the ILO will continue to actively pursue strategic mobilization of resources.

These changes will contribute to North Macedonia's achievement of ILO P&B24-25 Strategic Policy Output 3.1 and SDG Targets 8.3¹⁶, 8.5¹⁷, and 8.6¹⁸.

▶ INTERVENTION MODEL



▶ MEASURES OF PERFORMANCE

Outcome indicators:

NEET rate (15–24) (25–29) (15–29), by sex

BASELINE

24.2% of the total youth population (52% of NEETs female)

TARGET

At least a **3 percentage point** reduction; combined with a reduction of the NEET gender gap by at least 2 percentage point



The rationale for intervention

Outcome 2.2 *Youth Guarantee Plan 2023–2026 implemented*

North Macedonia endorsed, in July 2021, the Western Balkans Declaration on ensuring sustainable labour market integration of young people (15–29) and committed to advancing the implementation of the national Youth Guarantee (YG) and to aligning its delivery to the principles set forth in the Council Recommendation on *A Bridge to Jobs—Reinforcing the Youth Guarantee* (2020). The commitment to promote youth employment is in line with the policy priorities of North Macedonia since 2018, when the YG—modelled on the European Union one—was piloted in the country and then rolled out nation-wide the following year. The YG is the most significant and challenging policy innovation in the area of youth employment ever implemented in North Macedonia. This commitment entitles young people up to the age of 29 to receive a good quality offer of employment, traineeship, or continued education within four months of leaving school or becoming unemployed.

The commitment to the reinforced YG has been translated into a 2023–2026 Youth Guarantee Implementation Plan (YGIP), which details the role of different partners in achieving the YG targets and objectives.

To support this endeavour, the European Commission (EC) and the ILO have established the EU-ILO Technical Assistance Facility (TAF), which works with all stakeholders involved in the implementation and monitoring of the YG to address potential risks and technical challenges. The technical assistance covers multiple aspects of the YG, including the policy pillars underpinning its functioning (early intervention, outreach, activation/preparation, and labour market policies), the delivery mechanism, and monitoring.

Theory of change

If the constituents with the technical assistance of the ILO, based on the provided policy advice, technical reports, learning materials, and peer-learnings on the different policy pillars, implement the YG,

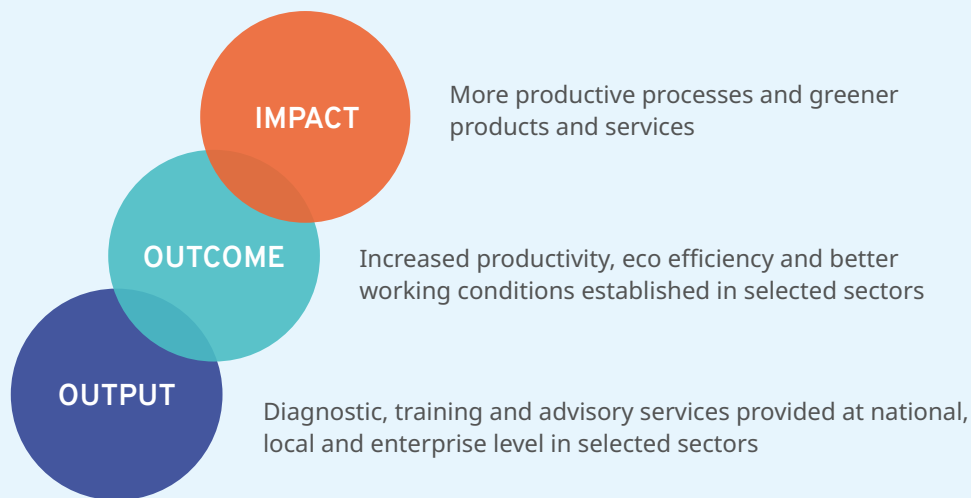
...then constituents will be equipped to implement and monitor the reinforced YG that will continue to play a significant role in facilitating the activation and the labour market transition of young women and men in North Macedonia,

...leading to better employment outcomes for young women and men in North Macedonia.

Potential risks to achieving the outcome are changing priorities of Government and a lack of engagement of youth organizations. To mitigate the risks, the ILO will provide evidence underlining the relevance of the proposed intervention. Careful selection and targeting of youth organizations will ensure smooth implementation.

These changes will contribute to North Macedonia's achievement of ILO P&B24-25 Strategic Policy Output 3.5 and SDG Targets 8.3¹⁹, 8.5²⁰, and 8.6²¹.

▶ INTERVENTION MODEL



▶ MEASURES OF PERFORMANCE

Outcome indicators:

Sectors selected through a market systems analysis focusing on the potential of sectors to create productive and decent jobs

BASELINE 0

TARGET At least **1** sector selected and supported (2025)

Number and type of better business practices established by companies in the selected sector

BASELINE 0

TARGET At least **20** enterprises supported (2025)

Number of vacancies per quarter

BASELINE TBD (based on the selected sectors)

TARGET An average increase of **20** in the number of vacancies in the selected sectors (2025)

The rationale for intervention

Outcome 2.3 *Improved business practices established in selected sectors with a focus on productivity, eco-efficiency, and working conditions*

The COVID-19 pandemic has generated significant sectoral shifts in employment. Among other factors, this is due to subsequent lockdowns, disruptions in supply chains, and, more broadly, the uneven impact the crisis had on certain categories of workers and vulnerable enterprises. While some sectors are still struggling to return to pre-pandemic employment levels, others have emerged as potential 'winners' from this crisis. North Macedonia might gain from the disruptions of global supply chains and the trend among OECD countries to bring production (light manufacturing) closer to large consumers' markets (nearshoring).

If the Macedonian enterprises in the concerned sectors want to use this window of opportunity, they will have to solve long-standing structural challenges related to inadequate skills, poor working conditions, and low productivity. Additionally, eco-innovation and circularity have become critical leverages of competitiveness and due diligence in international supply chains; they are key entry points for upgrading enterprises and generating more and better-quality jobs.

Specific interventions are needed to ensure that sectoral transformation and upgrading lead to more and better jobs. These should address the quality dimensions of jobs in these sectors (working conditions), including the transition to formality and the reduction of gender inequalities. The country needs to increase competitiveness of domestic companies and their integration in global value chains. North Macedonia's Smart Specialisation Strategy (S3) will help to advance sectoral development. The strategy includes measures to improve the innovation ecosystem, such as promoting entrepreneurship, enhancing access to finance, and strengthening research and development capabilities.

If the ILO supports development of improved policy and institutional frameworks related to the promotion of decent work in selected sectors; if the ILO helps addressing the quality dimensions of jobs in these sectors; if the ILO capacitates stakeholders at national, local, and enterprise level to enter into dialogue and to identify joint solutions; and if relevant skills are provided,

...then enterprises in selected sectors will be better placed to apply just transition principles, access European markets, realize economic and industrial upgrades, and create new quality jobs for workers,

...leading to more productive processes, as well as greener products and services.

To mitigate the potential risk of lack of engagement of enterprises the intervention strategy will rely on needs assessments and will use the analysis to better target the enterprise support services.

These changes will contribute to North Macedonia's achievement of ILO P&B24-25 Strategic Policy Outcome 4 and SDG Targets 9.3²² and 12.5²³.



4 MANAGEMENT, IMPLEMENTATION, MONITORING, REPORTING AND EVALUATION ARRANGEMENTS

Joint management of the programme

The DWCP will be managed jointly by the Ministry of Labour and Social Policy, the social partners, the ILO Office for Central and Eastern Europe (DWT/CO Budapest), and the National Coordinator in Skopje. The DWT/CO Budapest will rely on the support and expertise from the ILO's Regional Office for Europe and technical units and departments at ILO Headquarters in Geneva. The ILO and its constituents will establish a Tripartite DWCP Overview Board, to monitor the DWCP implementation.

In this context, the ILO will support the DWCP Tripartite Overview Board in:

- ▶ Preparing a DWCP Monitoring Plan which will be reviewed and updated as needed, but at least annually. Such plan will be linked to ILO internal results and implementation monitoring frameworks.
- ▶ Conducting a country programme review at the end of the period.

Reporting cycles aligned to UNSDCF

The ILO is part of the UNCT Monitoring and Evaluation Group (M&E Group). The ILO DWT/CO Budapest will align its reporting cycles with those of the UNSDCF and provide quality inputs to the UNSDCF progress reports based on DWCP monitoring. The ILO's body of International Labour Standards and policies on gender equality, inclusion of persons with disabilities and vulnerable groups will be among key references in this regard.



5 FUNDING PLAN

The DWCP will be funded using a combination of contributions from constituents and ILO regular budget and extra-budgetary resources.

Joint efforts and partnerships needed to secure funding

Confirmed extra-budgetary resources and remaining funding gaps are listed as an annex. Mobilizing resources to cover existing funding deficiencies will be done based on joint prioritization. Social Partners will have important role in the resource mobilization, being actively involved in the process of securing funding for the identified priorities. Although there is limited availability of donor funding due to North Macedonia's upper middle-income status and changes in donor priorities, the ILO will be building partnerships within the UN Country Team and will seek for alternative funding when possible, including using new forms of assistance that are available through the EU accession process. The Government plays significant role in the planning of the IPA funding. Plans are currently developed that will contribute to the achievement of some of the DWCP outcomes. Furthermore, bilateral negotiations to secure partnerships for the achievement of the stated objectives are currently underway.



6 ADVOCACY & COMMUNICATION PLAN

Implementation of the programme supported by advocacy and communication

The objective of advocacy and communication activities is to support implementation and increase visibility and impact of work under the DWCP. They aim at raising awareness among relevant stakeholders and the general public on:

- ▶ The role of International Labour Standards and SDG 8 in promoting inclusive and sustainable development in North Macedonia;
- ▶ The importance of effective partnerships to address decent work challenges, to work on national development priorities, to implement the SDGs;
- ▶ The unique and value-adding nature of the ILO's tripartite membership base with respect to shaping and implementing inclusive, sustainable, and equitable national policies, strategies and plans;
- ▶ Success stories emerging from initiatives under the Programme.

Visibility and communication activities target primarily the tripartite constituents as well as multi- and bilateral donor organizations, civil society organizations, and other international and governmental agencies working in North Macedonia on the same or similar themes. Secondary audience is the public at large. The ILO will develop a yearly "Advocacy and communication activity plan" jointly with the constituents. This plan will be in line with the UNSDCF 2021-25 for North Macedonia. In this context the ILO will also capitalize on the existing or future media partnership that offers visibility to the UN work and help advocate on key development issues.

It will use both gender mainstreaming and targeted communication strategies and include at least one event per year specifically focusing on heightening the visibility of the DWCP so that the Programme's key messages and achievements are appropriately communicated and presented. Similarly, to the communication activity plan, key topics will be jointly developed with the tripartite constituents; activities will be carried out in consultation, coordination, and/or collaboration with them.



ENDNOTES

- 1 https://vlada.mk/sites/default/files/programa/2022-2024/programa_na_vladata_2022-2024.pdf
- 2 https://northmacedonia.un.org/sites/default/files/2021-12/UNSDCF_21-25_ENG_print%28v2%29.pdf
- 3 Employment Service Agency, February 2023 data.
- 4 For North Macedonia see OECD, SME Policy Index: Western Balkans and Turkey 2022, for EU see EUROSTAT, [https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20220627-1#:~:text=Medium%2D-sized%20enterprises%20employed%20just,%25\)%20of%20the%20value%20added.](https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20220627-1#:~:text=Medium%2D-sized%20enterprises%20employed%20just,%25)%20of%20the%20value%20added.)
- 5 OECD 2022
- 6 [wcms_746124.pdf \(ilo.org\)](https://www.ilo.org/wcmsp5/groups/public/-/dgreports/otherpublications/wcms_746124.pdf)
- 7 "Collective bargaining in North Macedonia – analysis", Aleksandar Ristovski, ILO 2022.
- 8 *Gender-based discrimination and labour in North Macedonia*, Reactor – Research in Action, Skopje, 2019.
- 9 SDG Target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 10 SDG Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- 11 SDG Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
- 12 SDG Target 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels
- 13 SDG Target 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements
- 14 SDG Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 15 SDG Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
- 16 SDG Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 17 SDG Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- 18 SDG Target 8.6: By 2020, substantially reduce the proportion of youth not in employment, education, or training
- 19 SDG Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 20 SDG Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- 21 SDG Target 8.6: By 2020, substantially reduce the proportion of youth not in employment, education, or training
- 22 SDG Target 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
- 23 SDG Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

