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COUNTRY
GROWTH&JOBS
REPORT

North Macedonia

Stakeholder Consultations

May 2025, Skopje

Agenda

01 Slowing growth and risks ahead

02 Firm productivity, energy efficiency, and innovation

03 Business environment, trade, and competition

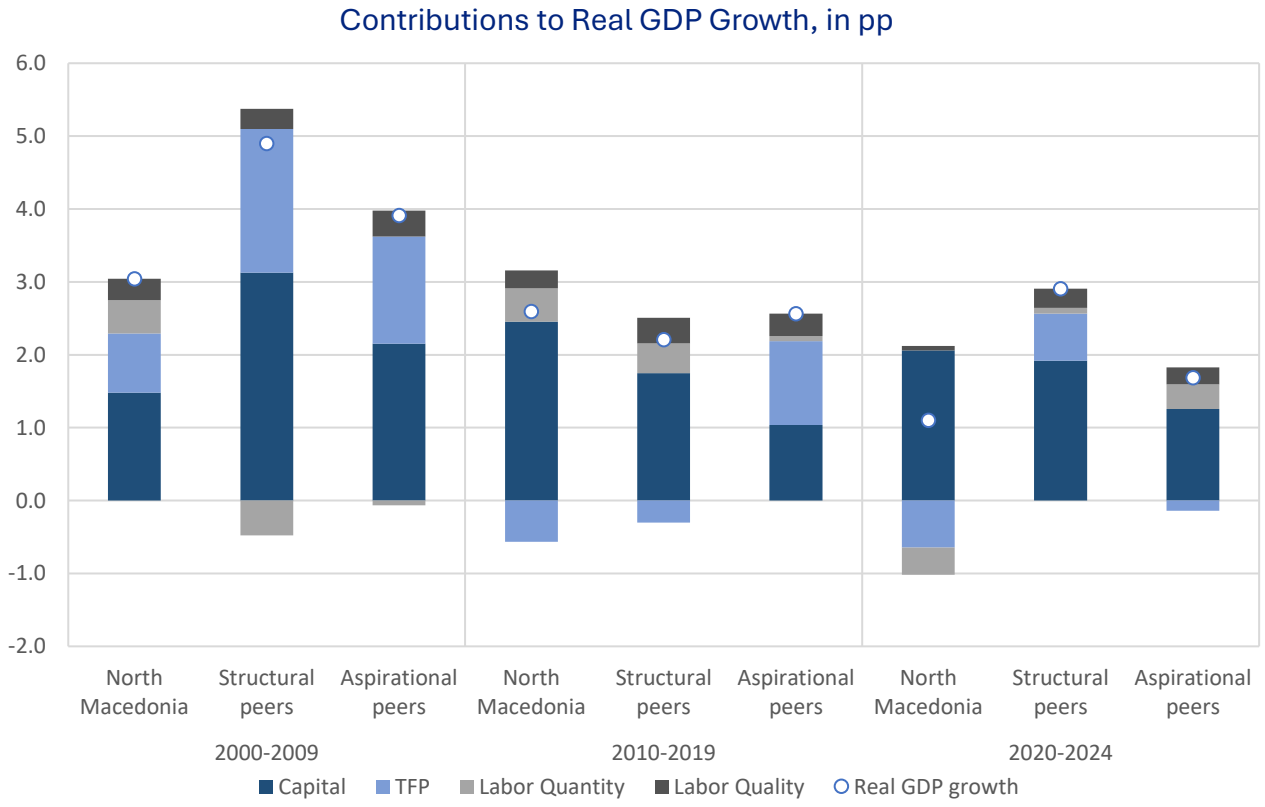
04 Gender, youth, skills, disincentives to work

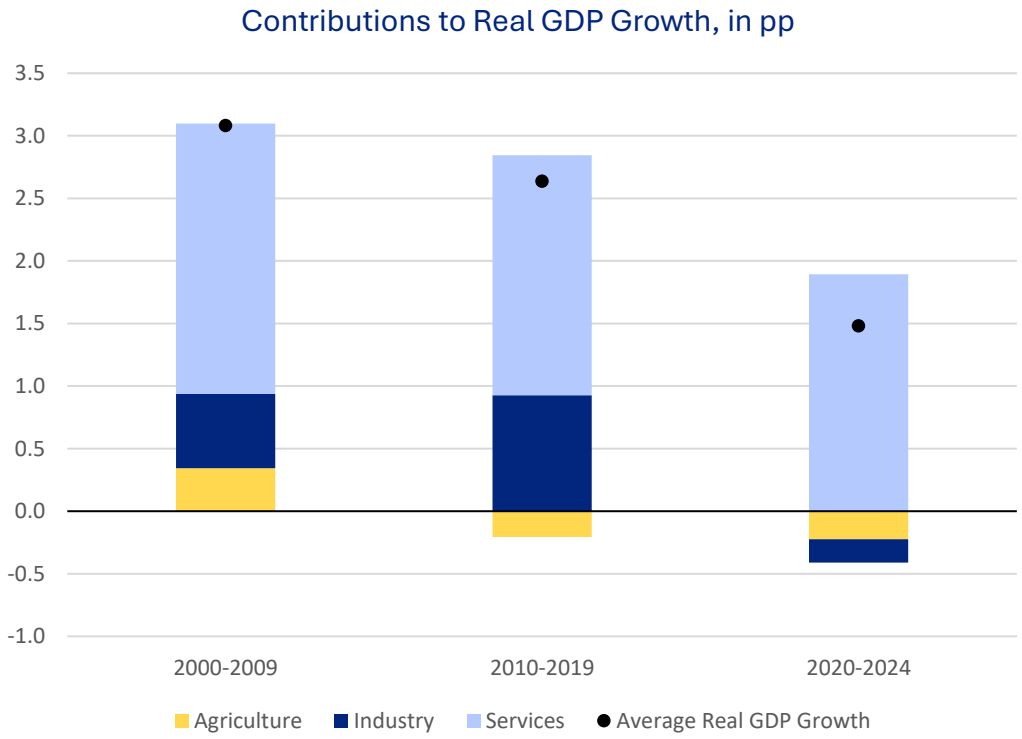
05 Emerging policy recommendations

Slowing growth and risks ahead

Consumption-driven growth with slowing capital and productivity

- Productivity and employment subtracted from growth post-pandemic.
- Services-led growth slowed after pandemic compared to peers, while industry and agriculture turned negative.



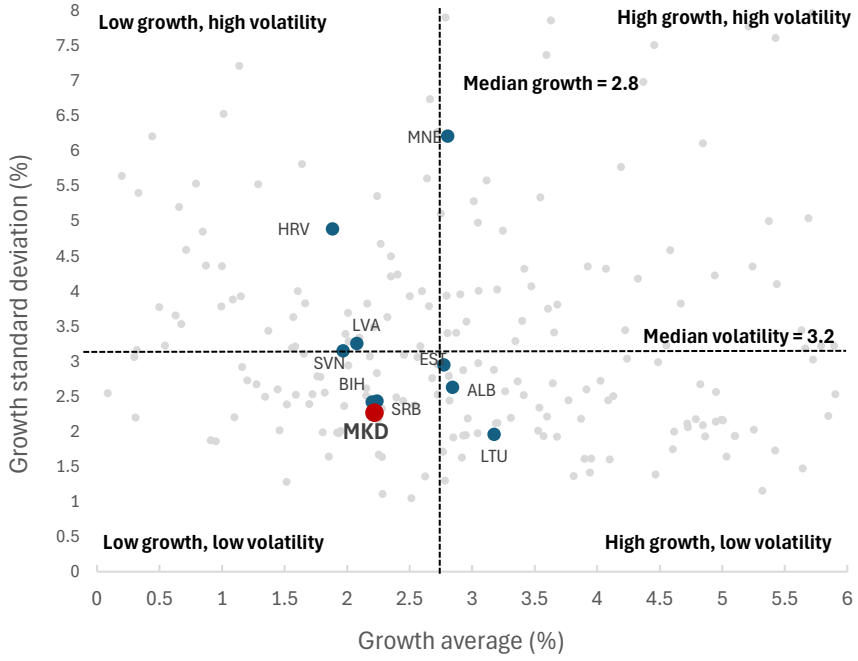


Source: TED database, State Statistical Office, World Bank staff calculations.

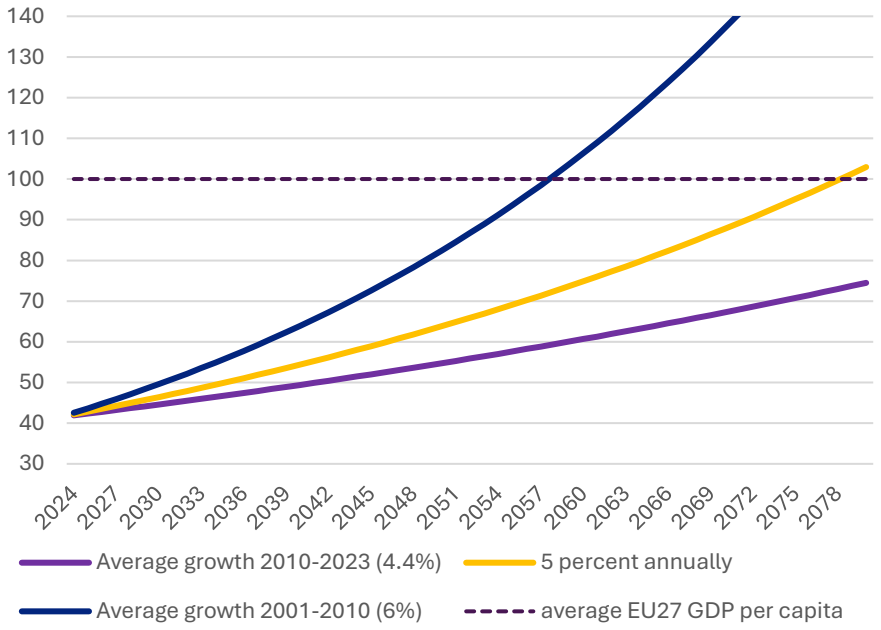
Slow convergence drives migration

- Growth was on average below peers since 2010, but it was also less volatile.
- With current growth rates, convergence with the EU27 average will take more than 75 years.
- Continued high migration aspirations towards EU – adopting same standards might reverse the trend!

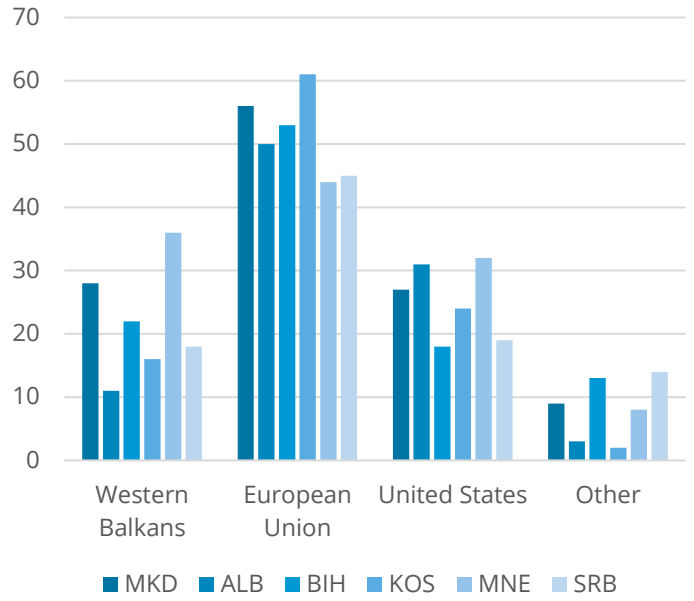
Real GDP growth and volatility (2010-2023)



Convergence pathways: North Macedonia's GDP per capita in current prices, at PPS, percent of EU27 average



Willingness to live or work abroad during the next five years and the location

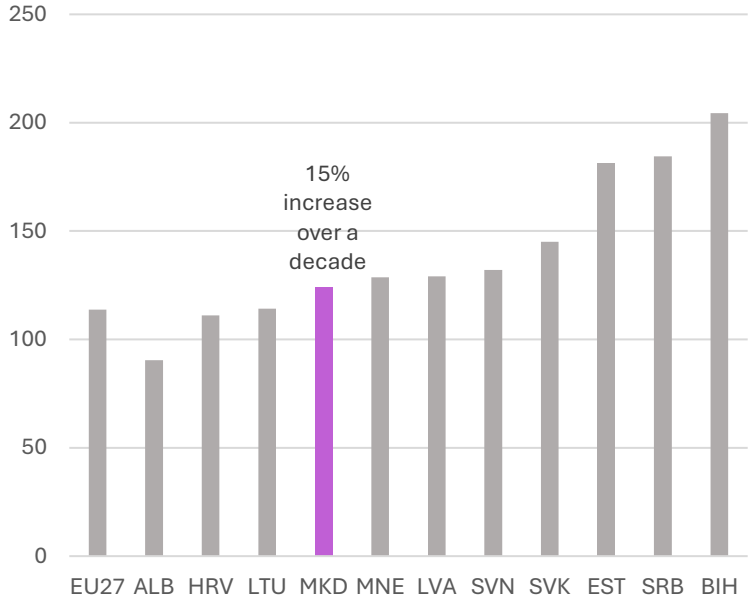


Source: Eurostat, WDI, State Statistical Office, Balkan Barometer 2024, World Bank staff calculations.

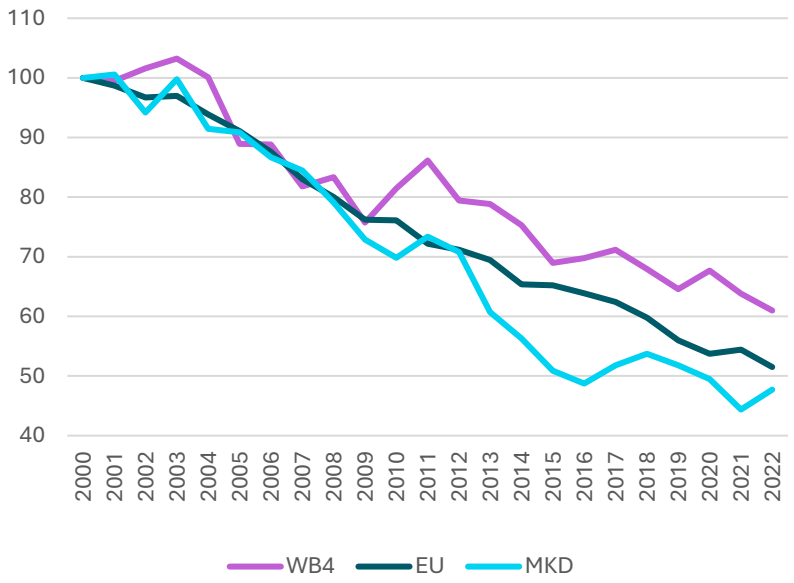
Risks to growth: still energy-intensive growth, and fossil fuel based

- Energy intensity of growth is high relative to the EU27 average, but progress has been made to reduce intensity and emissions.
- Still, fossil-fuels cover 30.1 percent of energy needs in the country despite recent increases in renewable energy production.
- Over the last decade, the country's energy import dependence went up by 16.8 pp to 63.4 percent of energy needs.

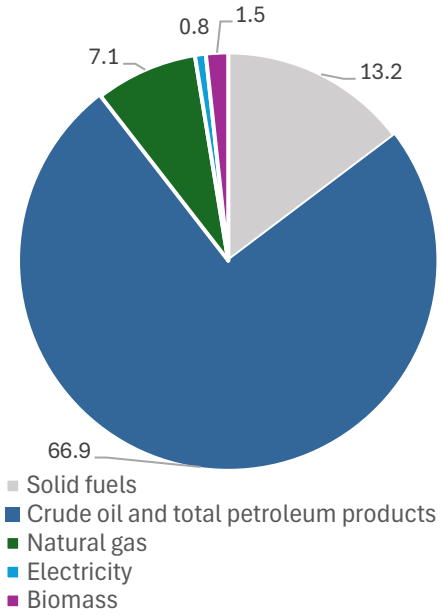
Energy intensity of GDP, KGOE per thousand EUR in PPS, 2012-2022



Annual CO2 emissions per GDP (kg per international-$)



Net imports of energy commodities by type, 2023

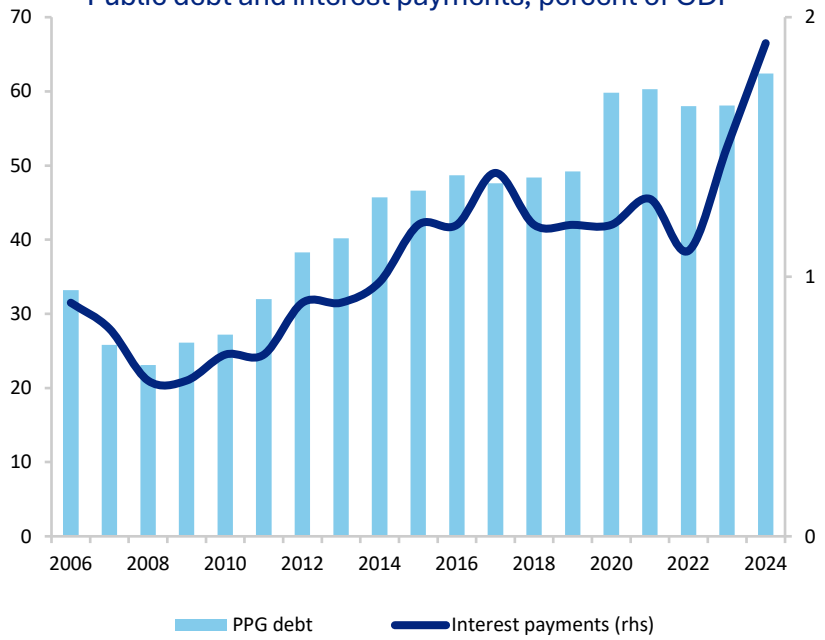


Source: Eurostat, State Statistical Office, World Bank staff calculations.

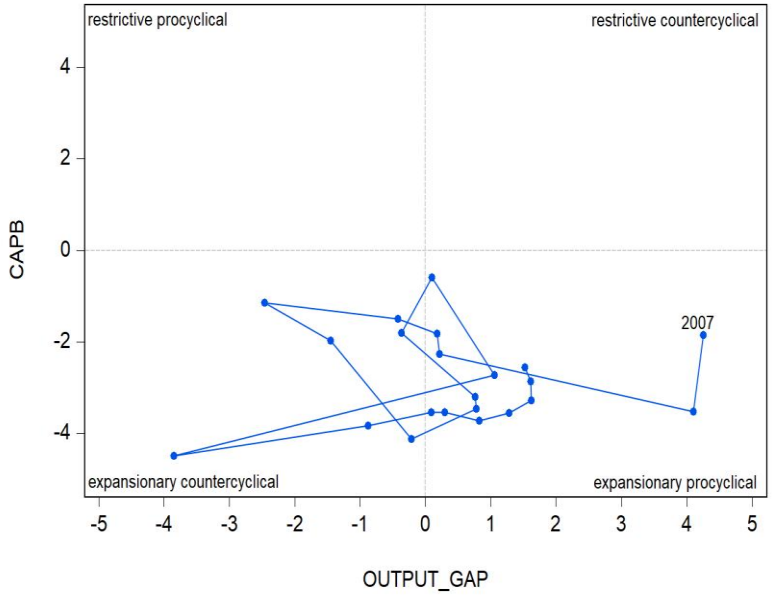
Risks to growth: fiscal space narrowed due to fast rising debt

- Post-pandemic, persistent deficits and rising cost of borrowing pushed PPG debt and interest payments to an all-time high.
- Arrears reached 4.1 percent of GDP, while guaranteed SOE debt stood at 8.2 percent of GDP at end-2024.
- Procyclical policy stance meant either fueling inflation during boom years or further reducing growth during downturns.

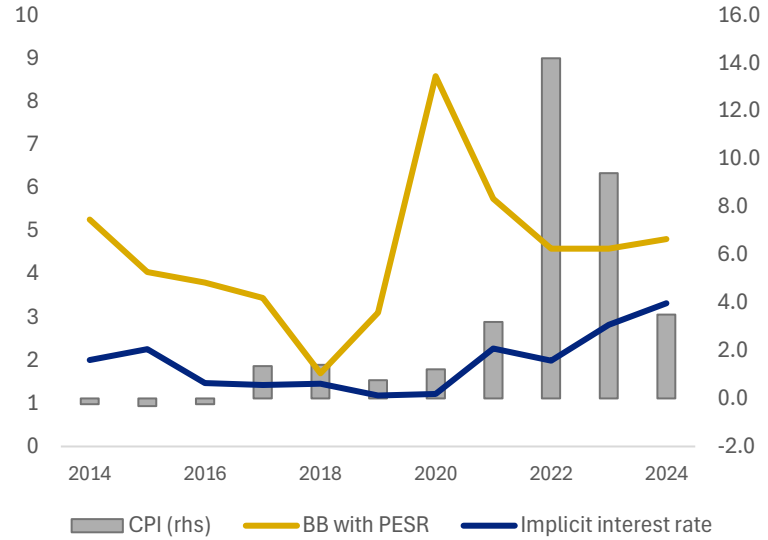
Public debt and interest payments, percent of GDP



Fiscal stance in North Macedonia



Budget balance, interest rate and CPI

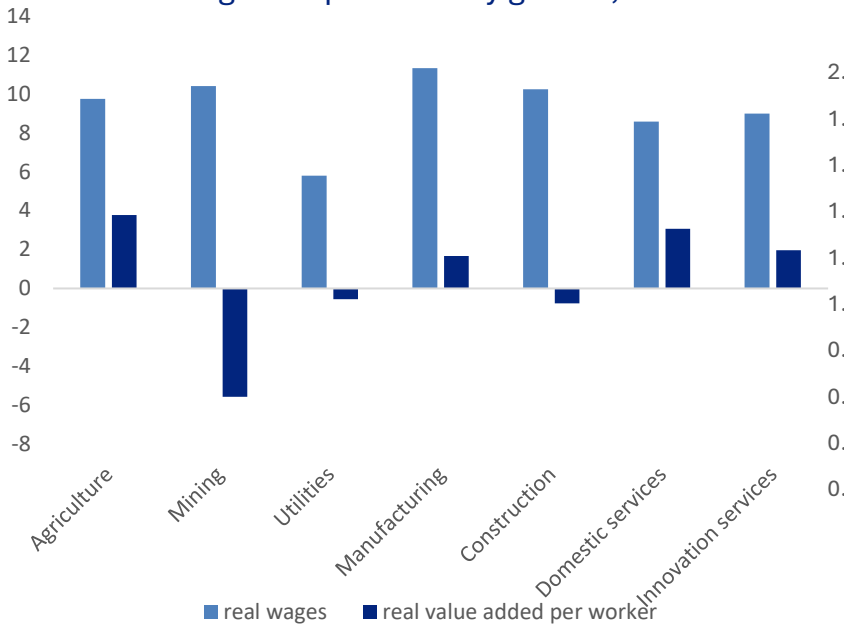


Source: Ministry of Finance, State Statistical Office, World Bank staff calculations.

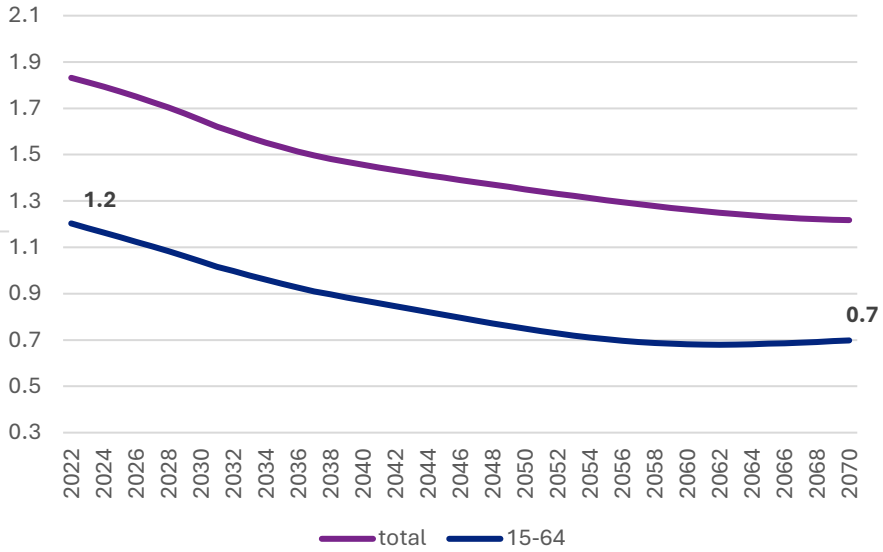
Risks to growth: High wage-productivity gap, accelerated aging, low human capital

- There is a rising misalignment between real wage and productivity growth in both public and private sector.
- Post-pandemic, elasticity of employment to growth turned negative which points to a weakening of the employment-growth link.
- Aging and demographic decline are exacerbated with outmigration.
- Quality of education needs substantial improvements.

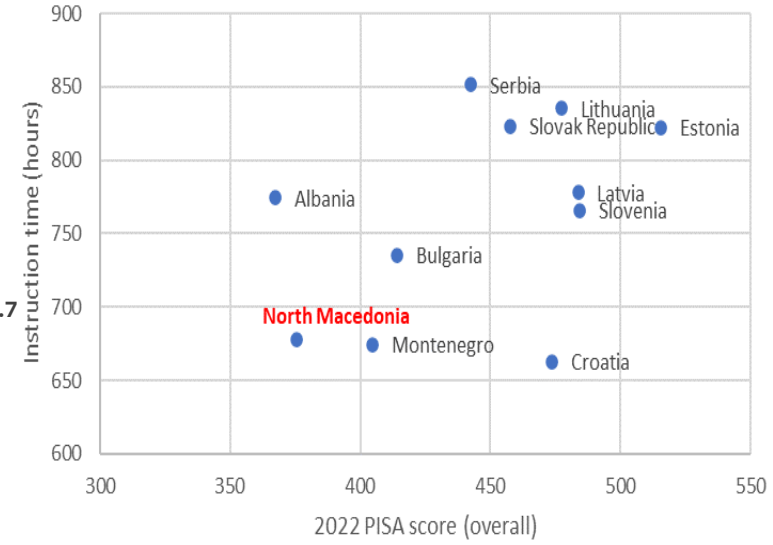
Real wage and productivity growth, 2017-22



Demographic decline
(population projection with constant fertility)



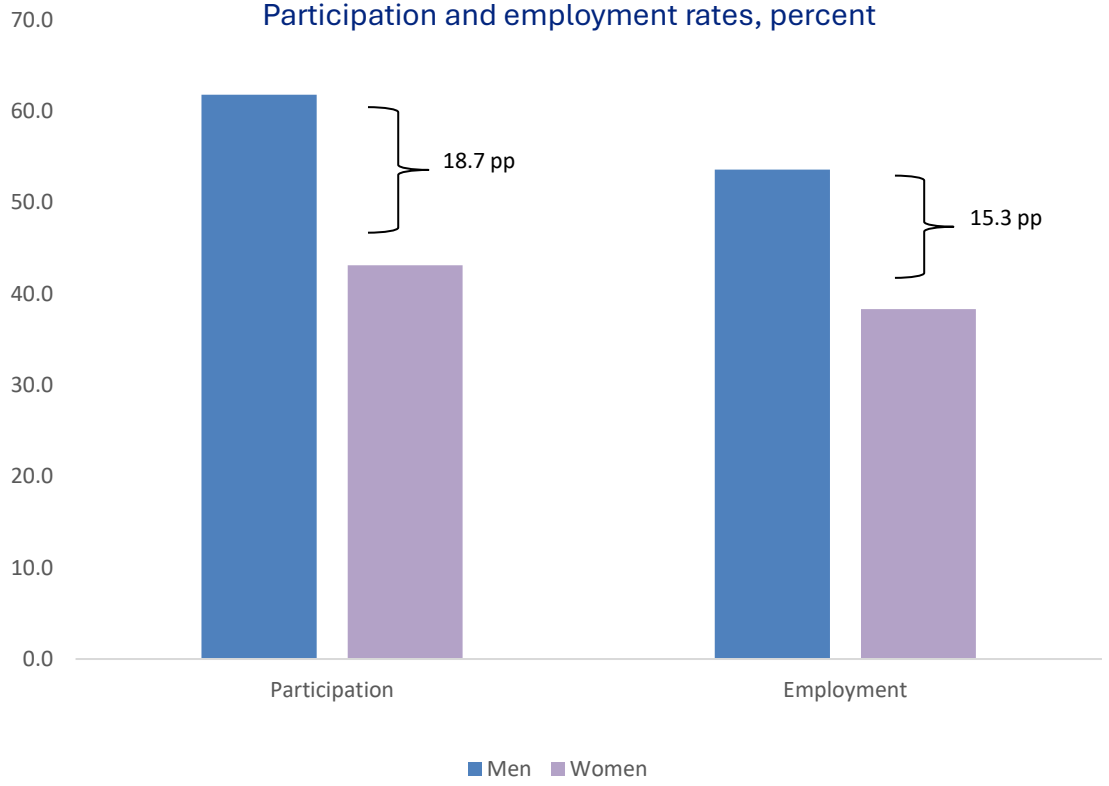
PISA results 2022 and instruction time

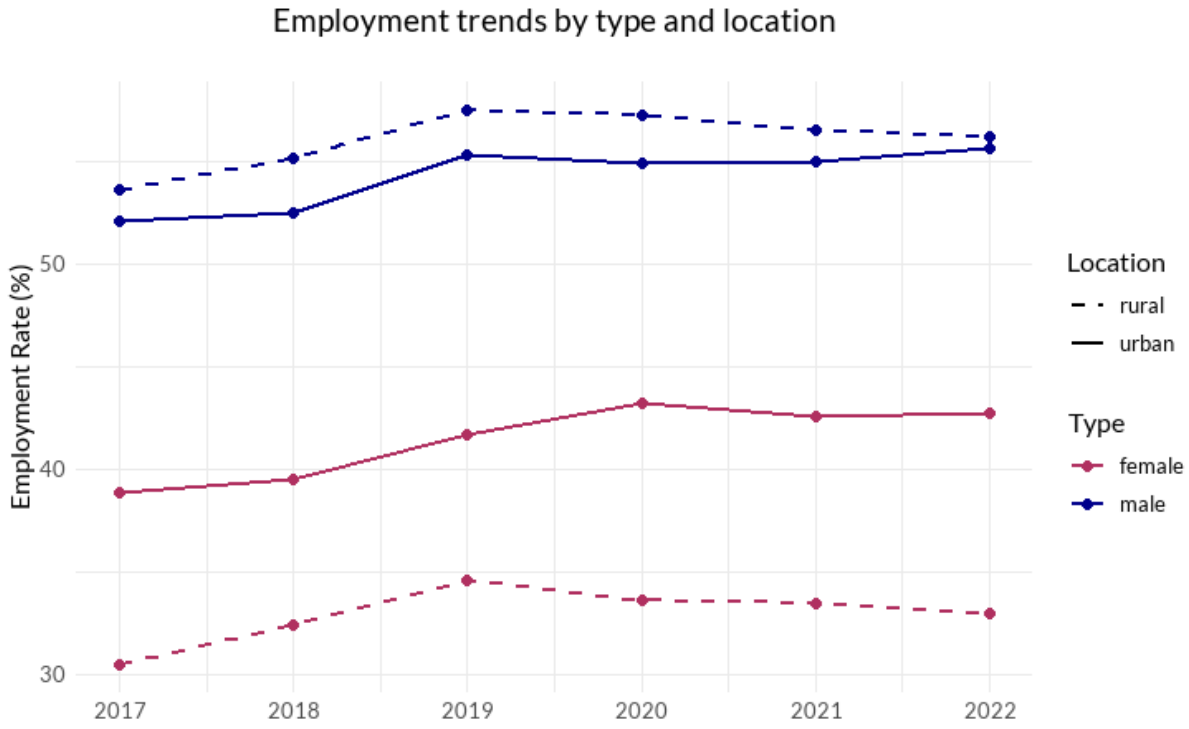


Source: WDI, State Statistical Office, OECD World Bank staff calculations.

Risks to growth: Participation and employment rates due to gender gap remain low

- The employment gap between men and women in rural areas is close to double the gap in urban areas.
- Women have lower wage reservations than men, which may lead to lower relative wages upon reemployment, perpetuating wage disparities.

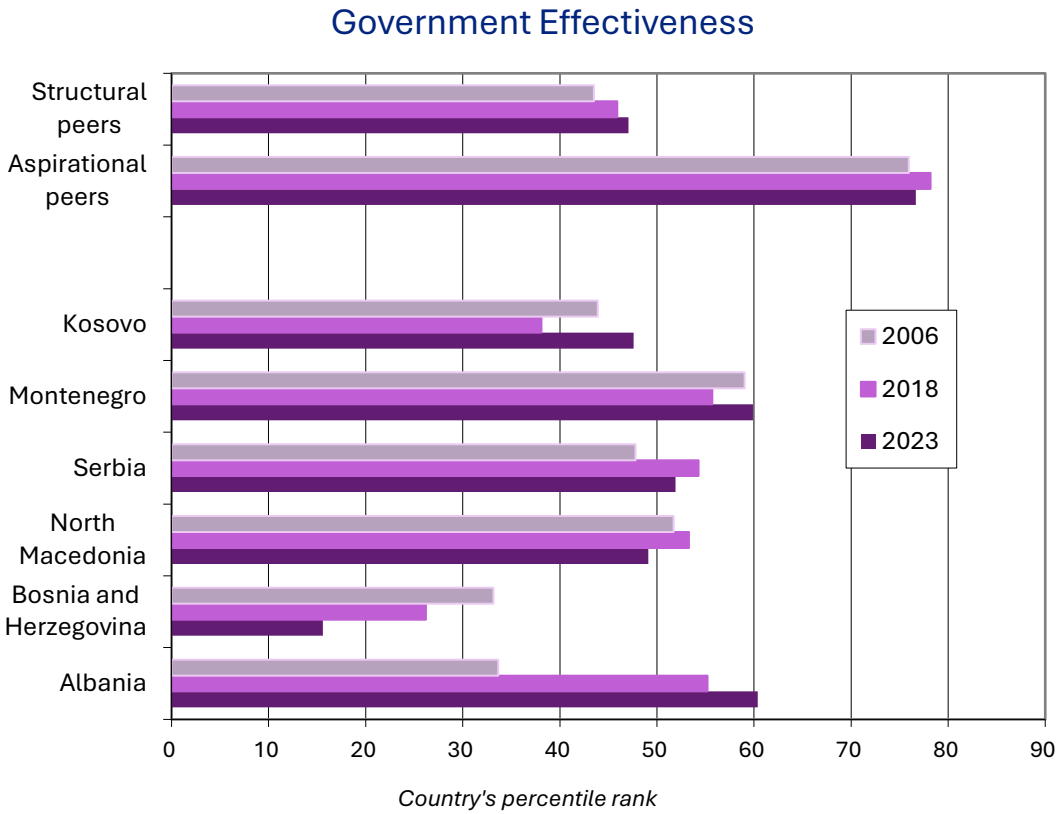


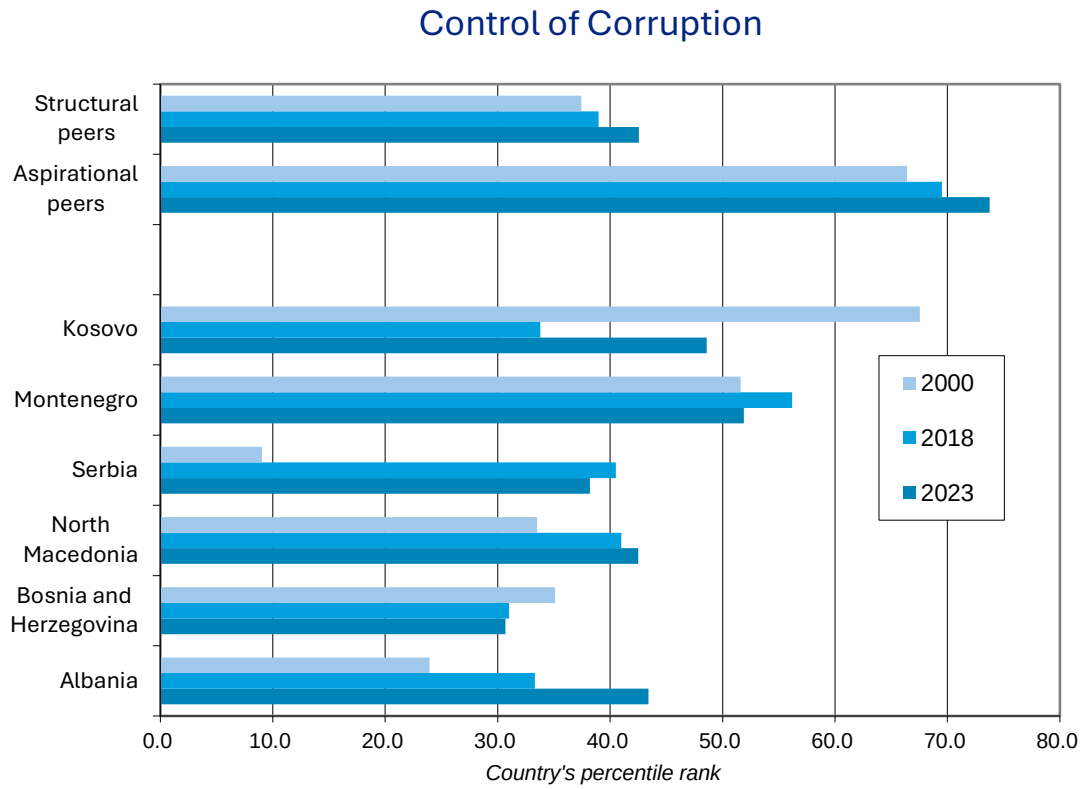


Source: State Statistical Office, World Bank staff calculations.

Risks to growth: Weak governance

- Institutions are critical for transitioning the economy to the high-income status: for completing the transition to a market economy, including ensuring fair competition, revamping the energy system and improving energy efficiency, improving the education system and labor market outcomes, improving the innovation and technology adoption.
- Corruption directly diminishes the growth dividend by diverting long-term productive investments.





Source: World Bank, staff calculations.

What is holding growth and job creation back?

How are firms performing?

- Productivity
- Energy efficiency
- FDI spillovers
- Innovation and technology infusion
- Access to finance

How is economic governance?

- Business environment
- Connectivity
- Trade policy and facilitation
- SOEs governance
- State aid and competition

How is the labor market performing?

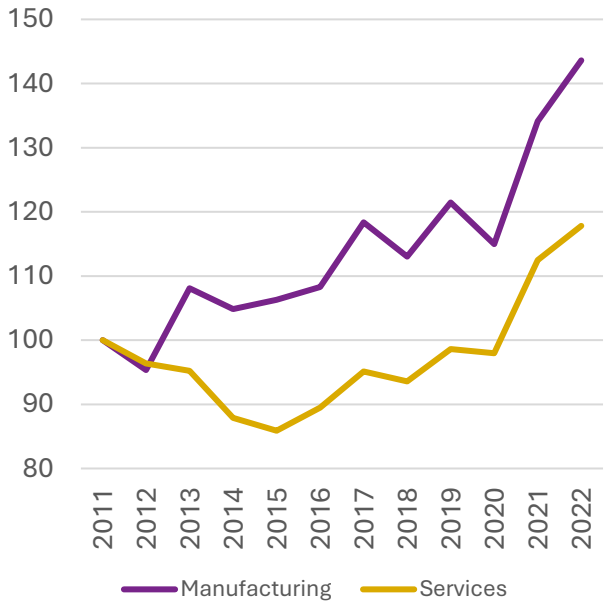
- Participation and gender
- School to work transition
- Skills and lifelong learning
- Labor market frictions and incentives

Firm productivity, energy efficiency, and innovation

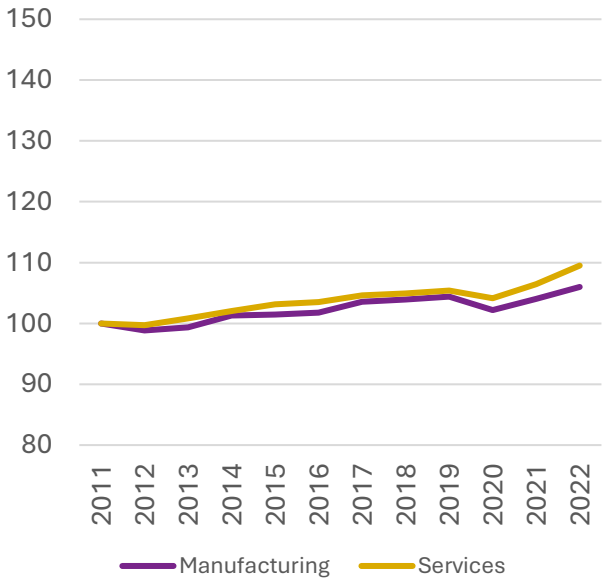
Rising labor productivity with lackluster growth in TFP

- Labor productivity has increased for both manufacturing and services post-pandemic; more markedly than TFP.
- While previous productivity growth has been largely driven by between-firm, the bulk of more recent productivity gains come from within-firm improvements.
- This may suggest capital deepening with limited efficiency gains or misallocation of investments.

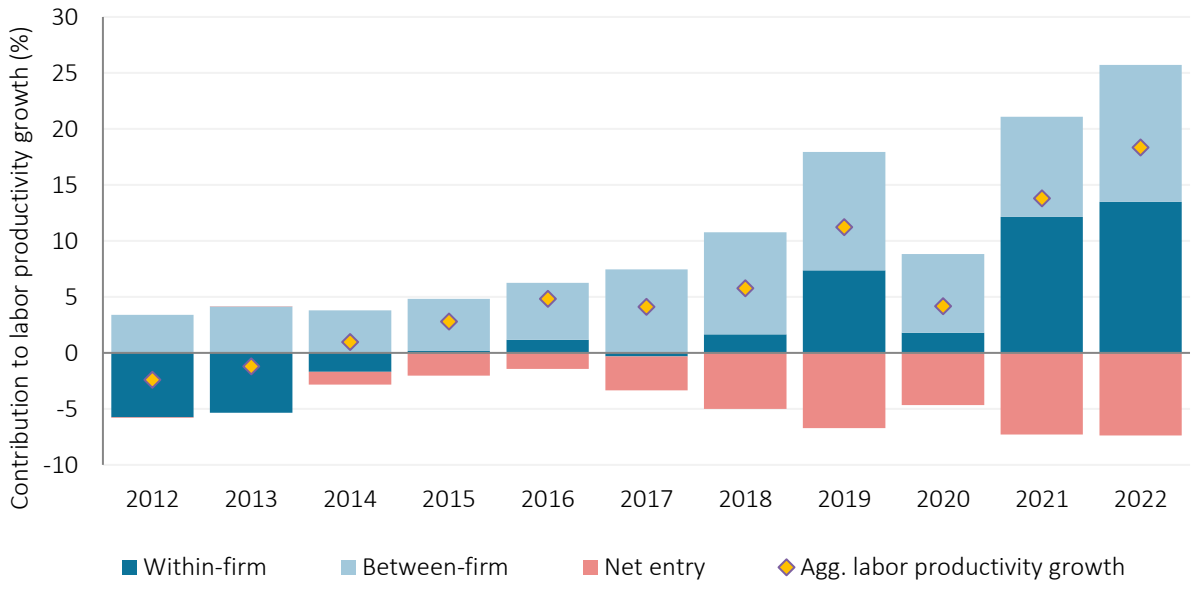
Value-added per worker, 2011=100



Total Factor Productivity (TFP)
2011=100



Decomposition of value-added per worker growth

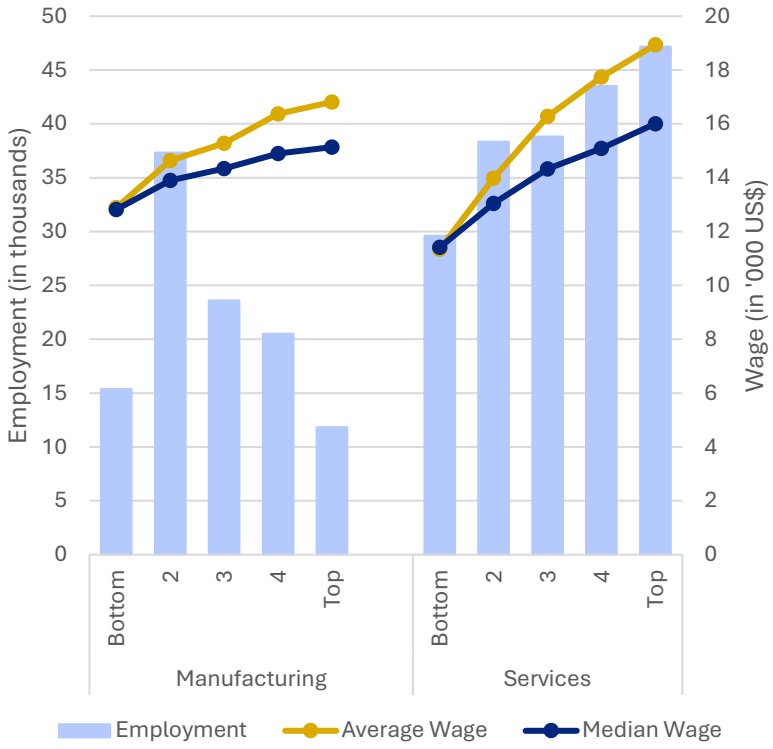


Source: WB Staff calculations based on Central Registry data.
Notes: Value-added is calculated as revenues or sales less cost of materials. Agriculture is not included in the analysis. Values have been deflated to consider changes in prices. Value added per worker in the plot is unweighted average for the sector and total factor productivity is weighted by employment.

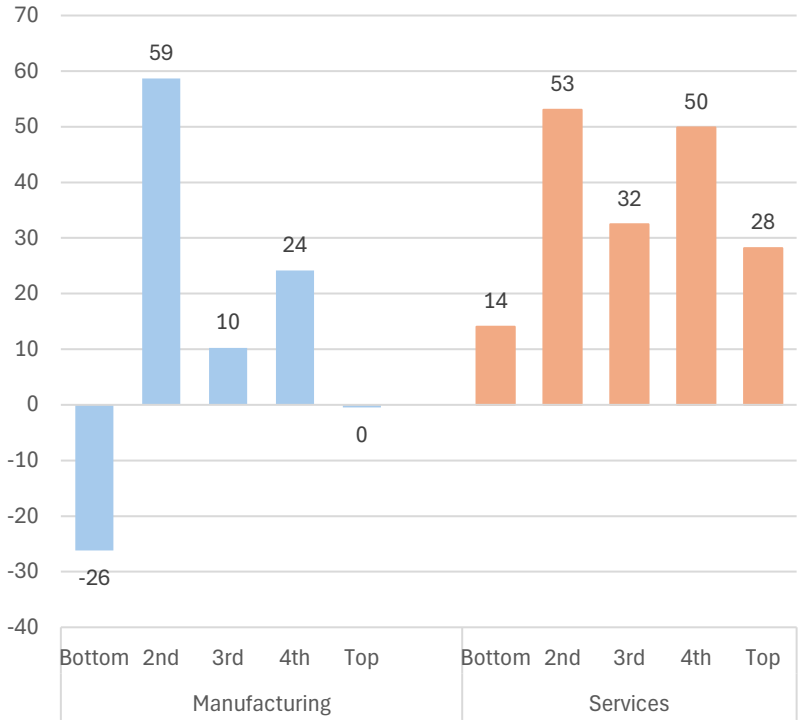
Wage and employment are not fully aligned with firm productivity and sector-specific efficiency dynamics

- More productive firms are paying higher wages, while job-creating firms are not the most productive ones.
- There is positive yet static allocative efficiency for services; not for manufacturing.

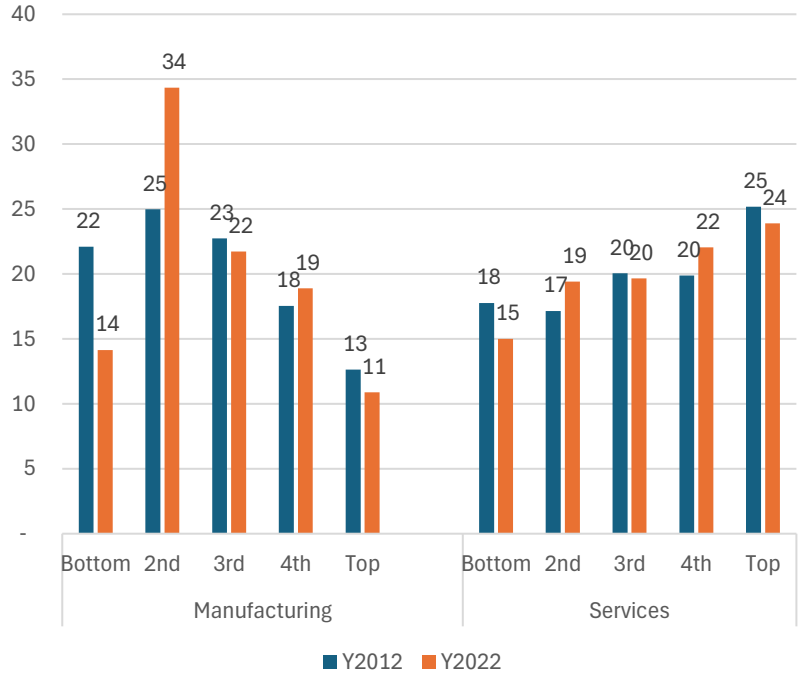
Employment and wage per TFP quintile, 2022



Employment growth (%) per TFP quintile, 2012 vs 2022



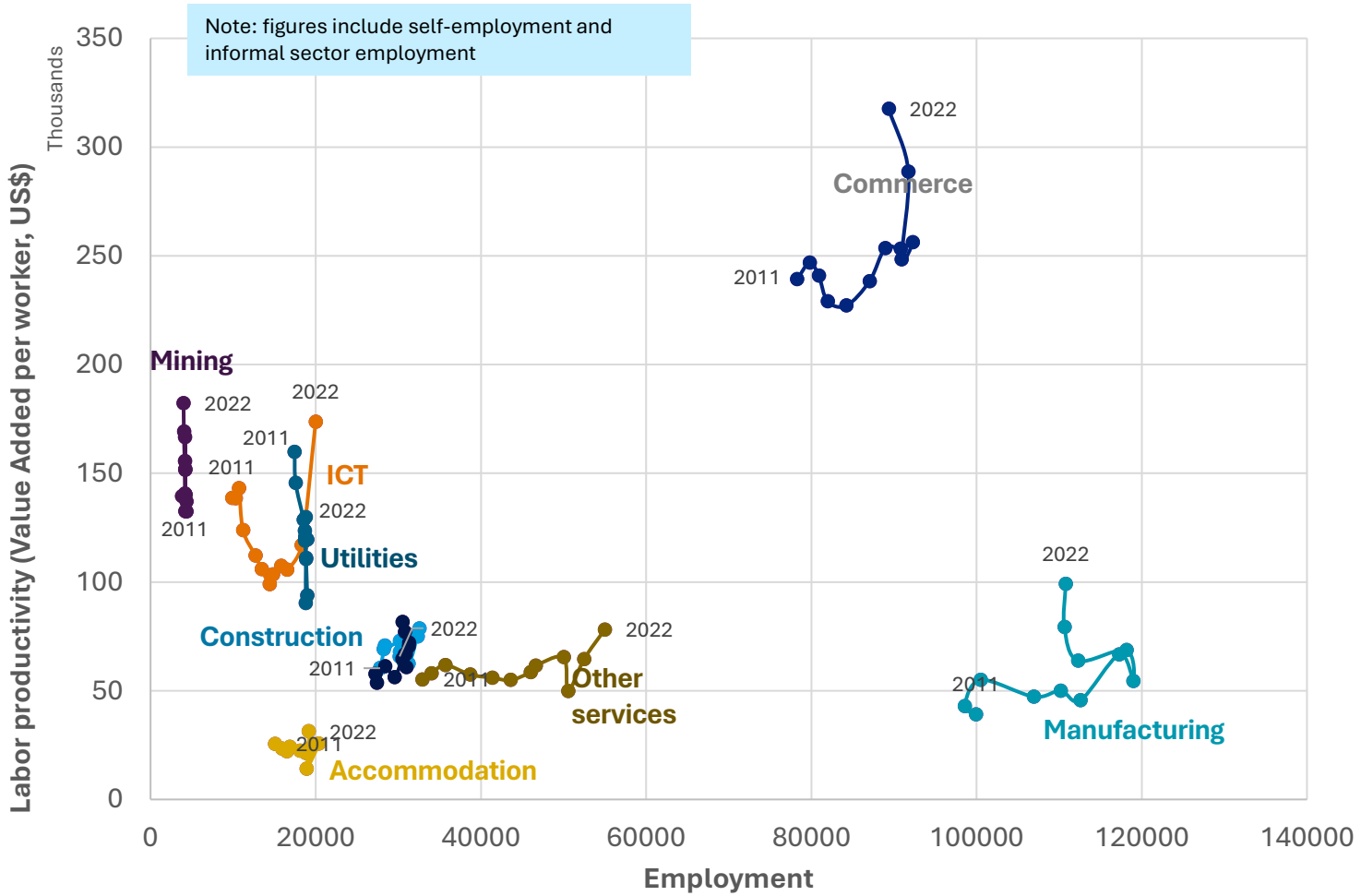
Employment shares per TFP quintile, 2012 vs 2022



Source: WB Staff calculations based on Central Registry data.

Sectors driving aggregate productivity and job creation

Aggregate employment and labor productivity changes, 2011-2022



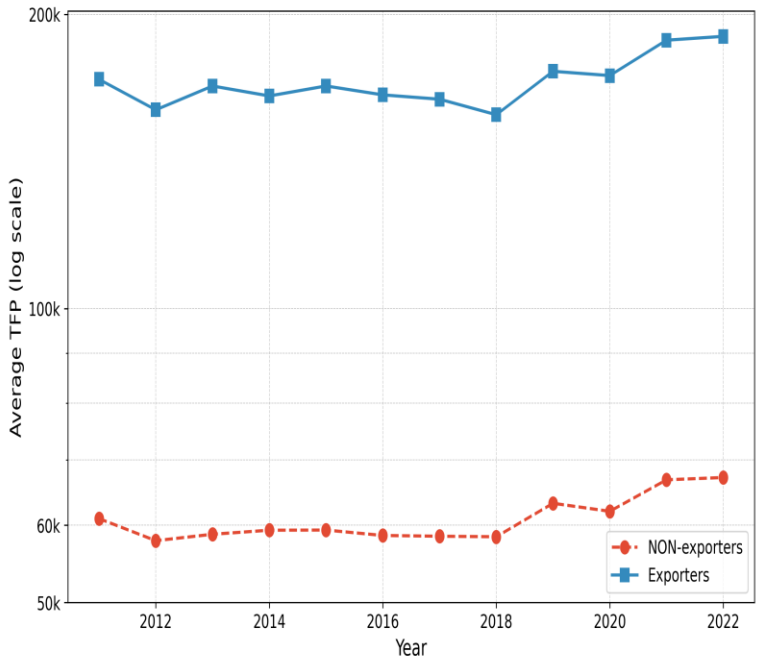
Source: WB Staff calculations based on Central Registry data.
Note: Agriculture is not included in the analysis.

Structural transformation has been driven by a few sectors:

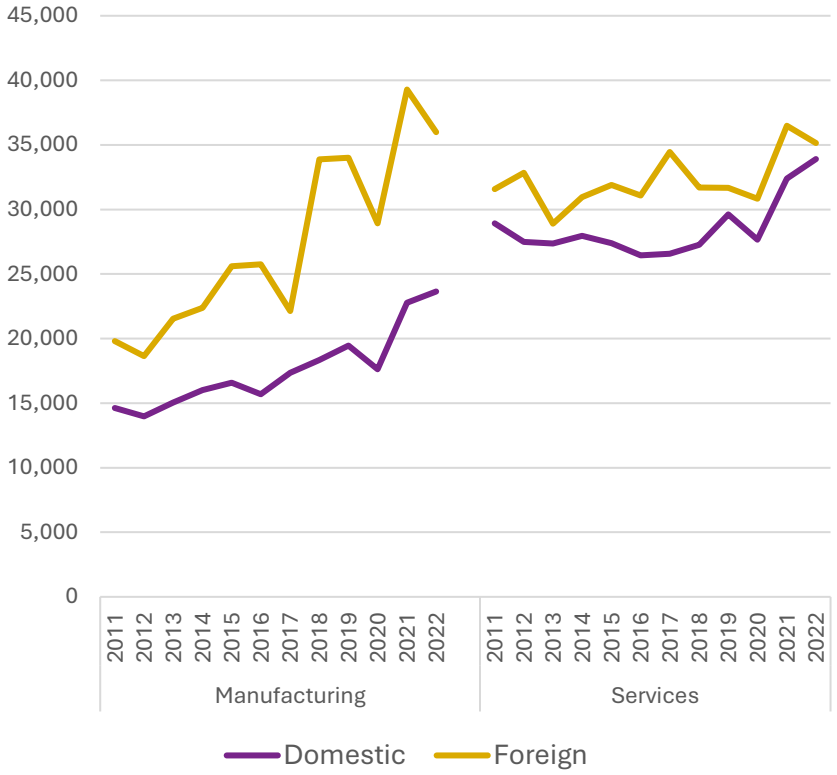
- **Commerce (and ICT)** – highly productive, with increasing employment & productivity.
- **Manufacturing & Other Services** – increasing productivity, albeit at low levels, and employment
- **Mining/Utilities** – increasing productivity with modest increase in employment

Low TFP firms, foreign-owned and large firms are top performers in labor productivity

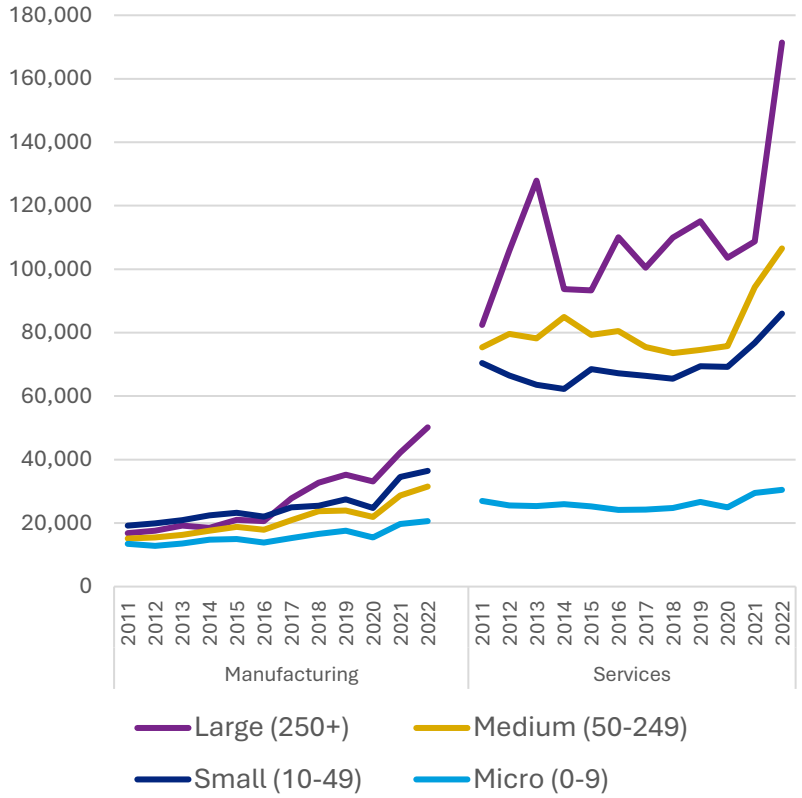
Average value-added per worker, exporters versus non-exporters



Average value added per worker, foreign-owned vs domestic, 2011-2022



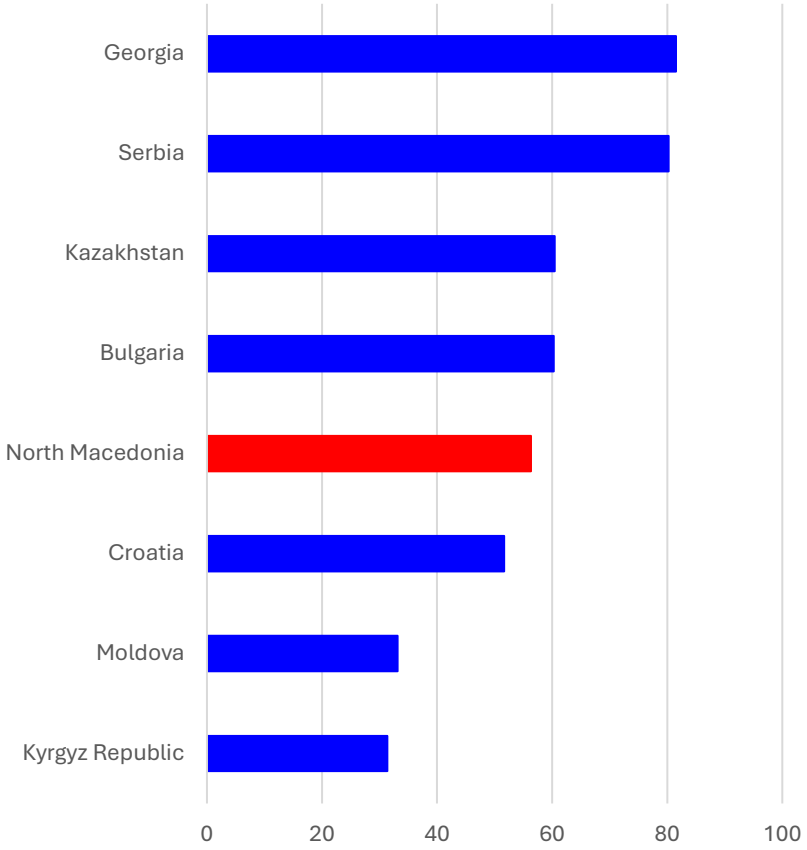
Average value added per worker, by firm size, 2011-2022



Source: WB Staff calculations based on Central Registry data.
Note: Foreign-owned firms are defined as TIDZ locators, domestic otherwise. Size classification is based on Eurostat.

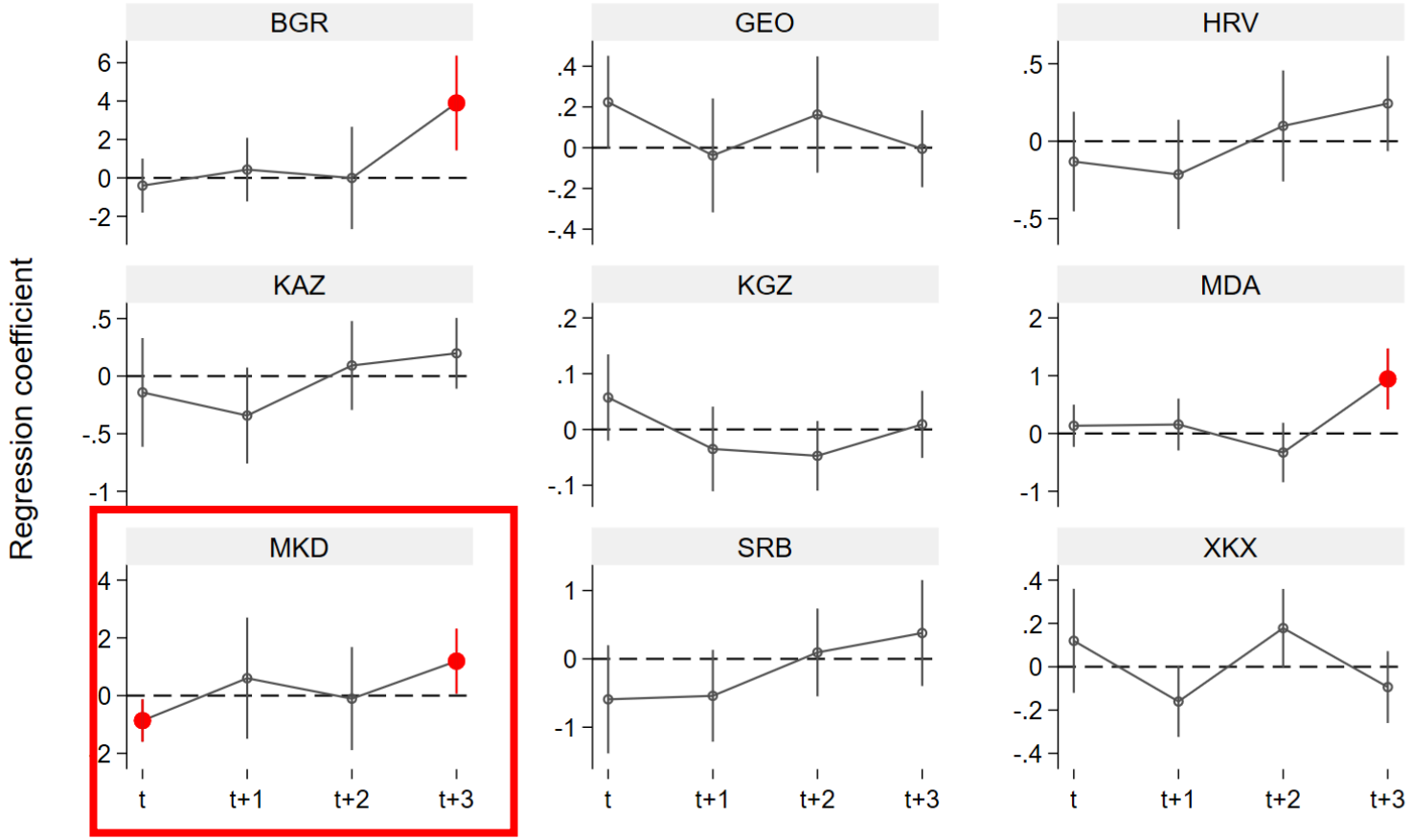
Increased foreign presence are associated with productivity-enhancing spillovers, but only after a few years

Inward FDI stock (% of GDP), 2023



Source: WB Staff illustration based on UNCTAD.

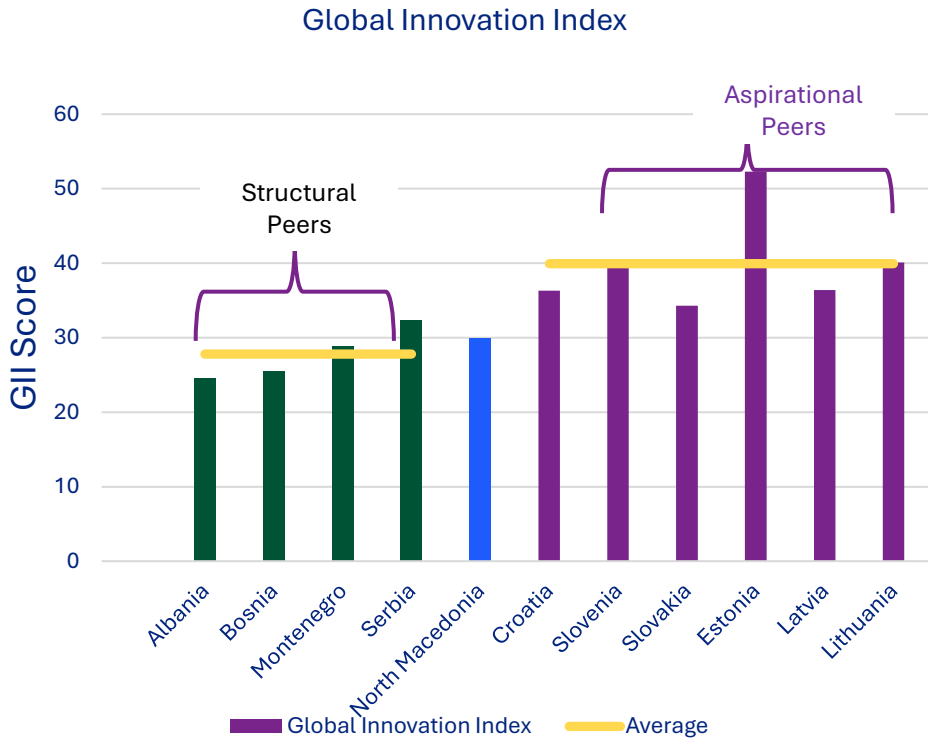
Estimated TFP spillovers on firms in the "supplying" sectors (via backward linkages)



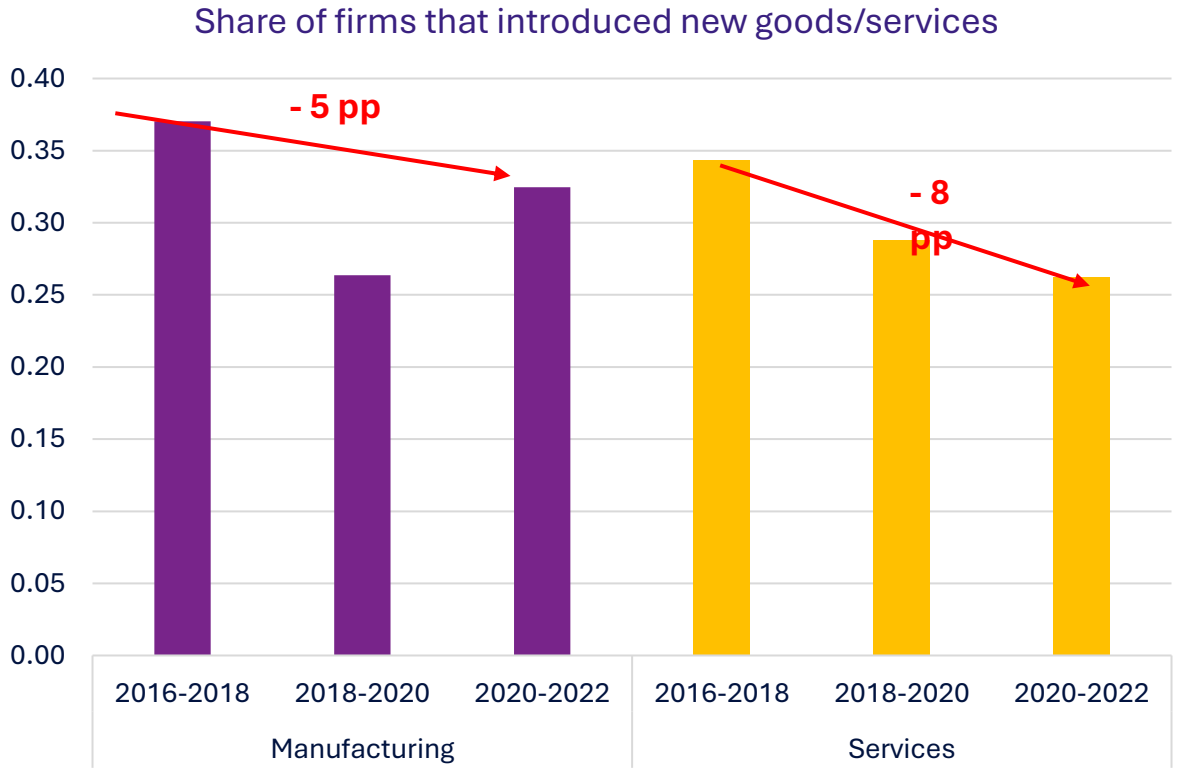
Source: WB Staff calculations based on Central Registry data.
Note: The plots shows the regression coefficient of backward linkages, measured in terms of the share of foreign-owned firms' output in the buying industry, on total factor productivity (in log points), following Javorcik (2004) methodology. Dots in red denote statistical significance at 5% level. Samples are restricted to domestic firms only.

Institutional innovation progress amid slowing firm-level innovation

- North Macedonia performed better than most of its structural peers in the recent Global Innovation Index, but still lags aspirational peers.
- The rate at which firms introduce new products and services has declined in recent years, suggesting weakening innovation dynamics at the firm level.



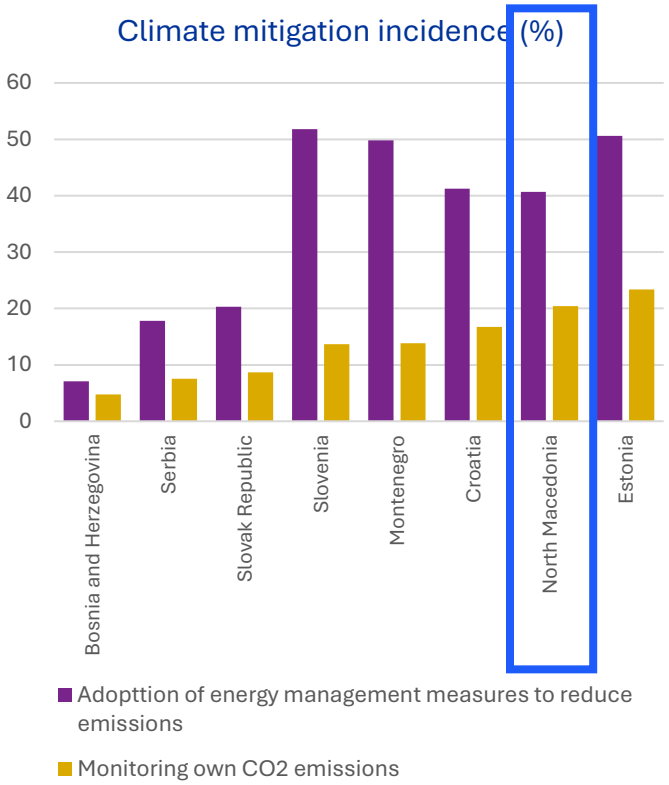
Source: WB staff illustration based on Global Innovation Index 2024.

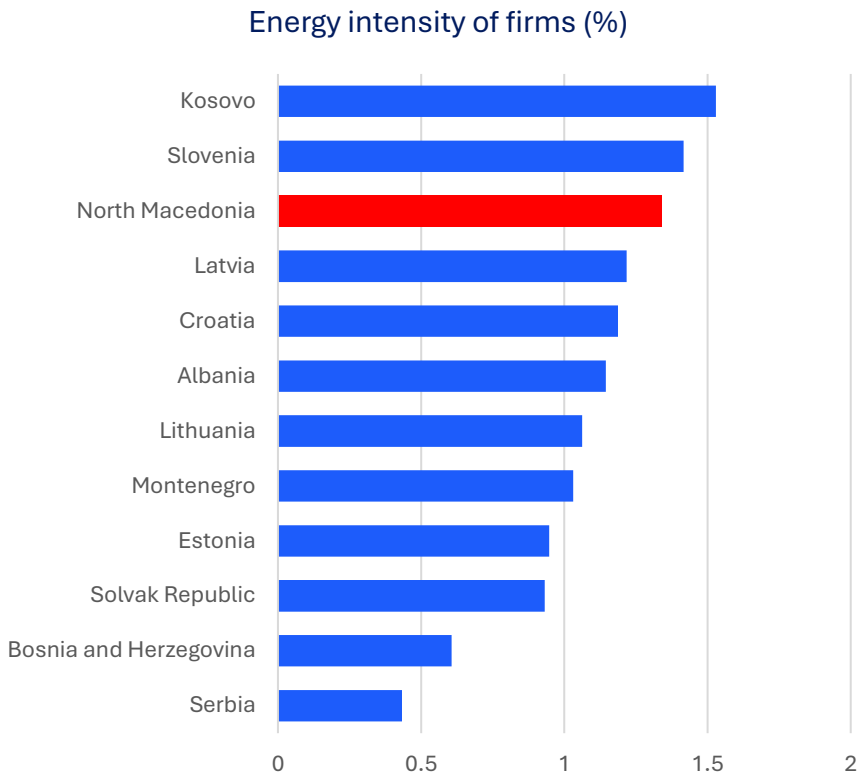


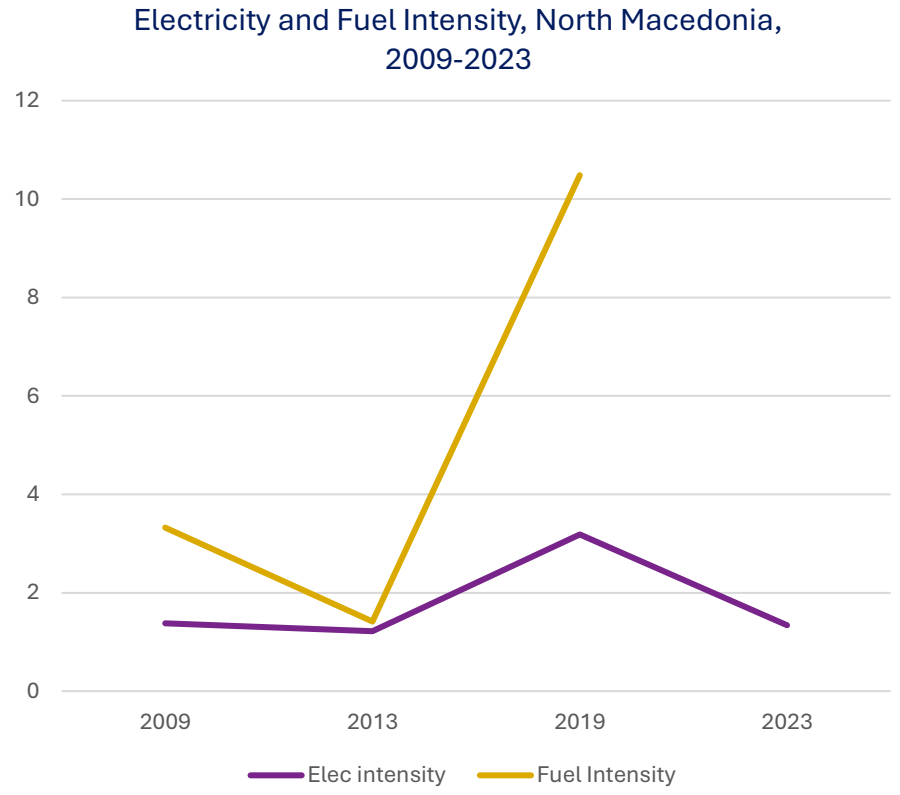
Source: WB staff illustration based on Community Innovation Survey. The plot shows average incidence of firms introducing new goods for manufacturing sector, and new services for the services sector.

North Macedonia advances in climate mitigation efforts, but energy intensity remains high

- About 20 percent of firms in North Macedonia monitor their CO2; a much larger share adopts energy management measures.
- However, despite these measures, overall energy intensity has shown limited improvement over time and remains relatively high.
- Overall, this may suggest a gap between intentions (or low-cost actions) and effective transformation of energy use.





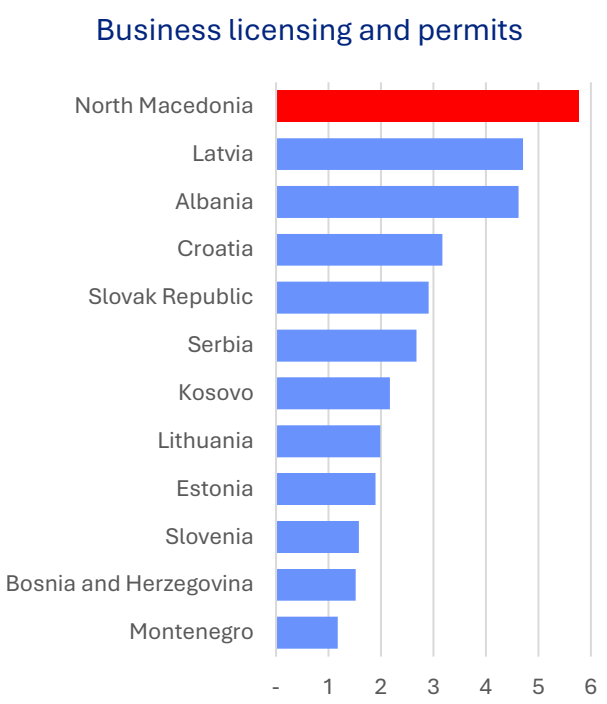


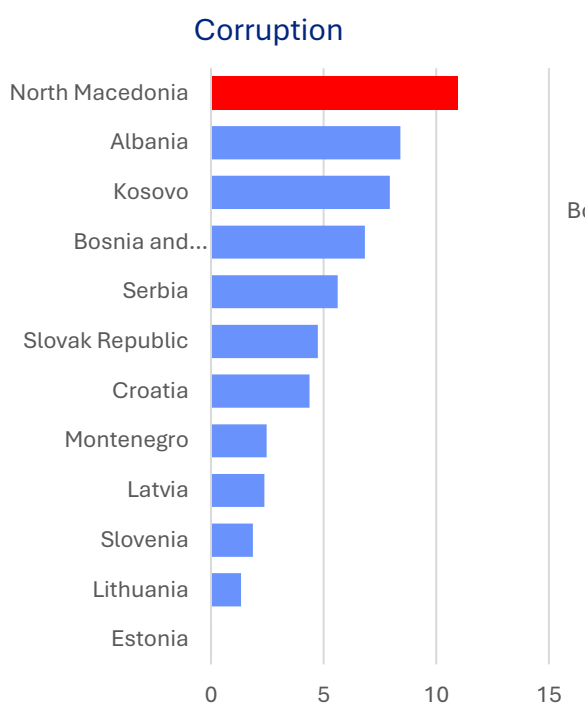
Source: World Bank staff using data from Enterprise Survey. The share of firms adopting energy management measures and CO2 monitoring is based on average weighted by sampling weights. The same average applies to energy intensity, measured by electric cost/sales, and fuel intensity measured by fuel cost/sales. Fuel cost is not available for North Macedonia in WBES 2023 survey wave.

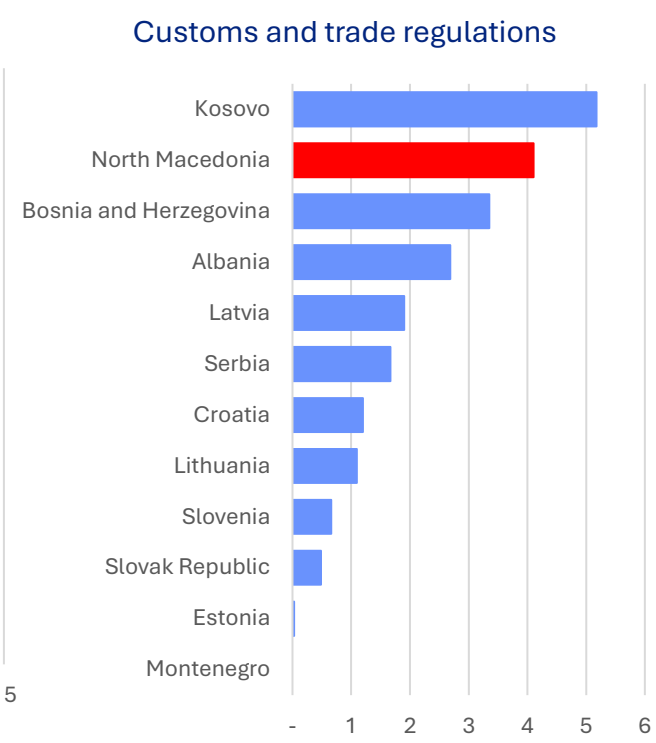
Business environment, trade, and competition

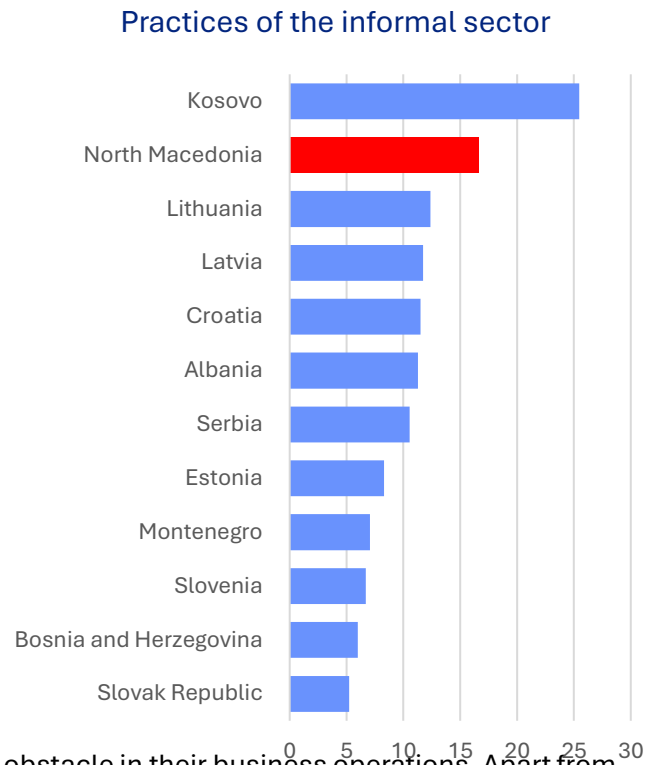
Business environment improved but same challenges remain

- **Strengths:** North Macedonia outperforms its regional peers in tax administration, transport infrastructure, and workforce quality.
- **Challenges:** Firms report increasing concerns regarding business permits and licensing, as well as customs and trade regulations.
- **Emerging Risks:** The growing prevalence of informal sector practices, corruption, and issues related to crime, theft, and public disorder are becoming significant concerns for businesses.







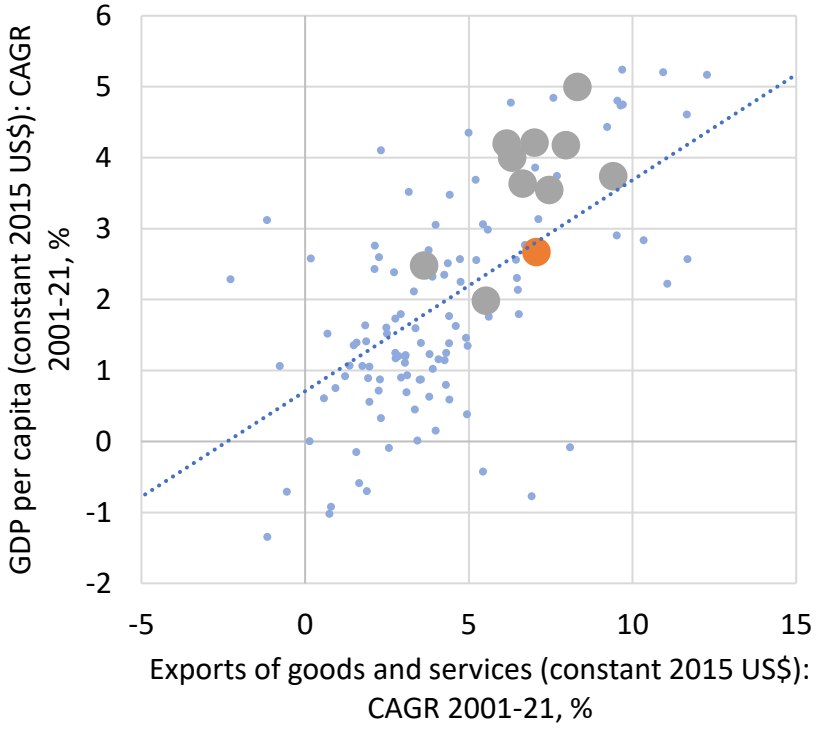


Source: WB calculation based on WB Enterprise Survey 2023. The plots show the shares of firms that choose the variable of interest as a major obstacle in their business operations. Apart from Kosovo and Lithuania which has 2019 surveys, all other countries had 2023/2024 survey periods.

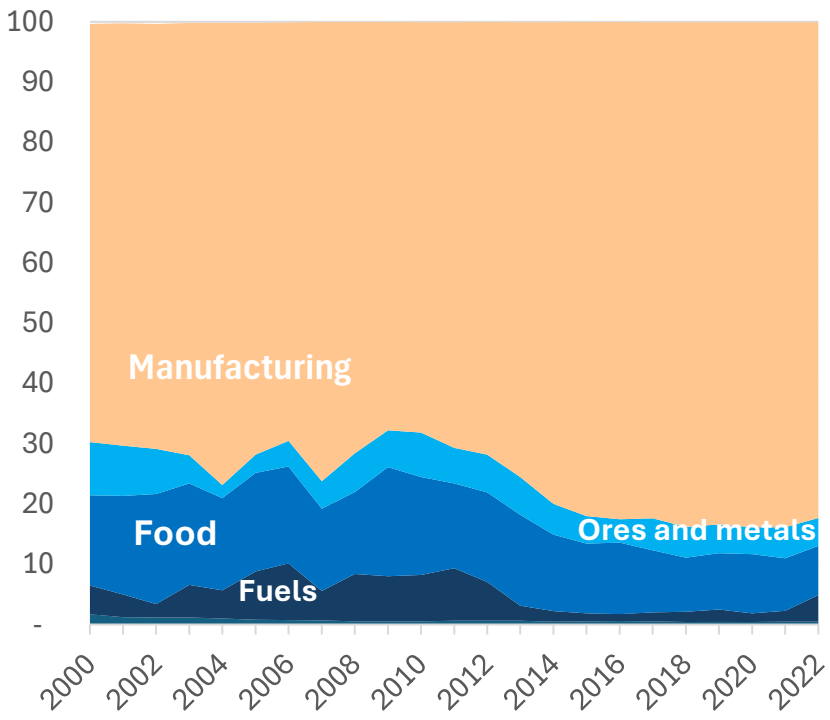
Role of trade in economic growth has continued to slow down

- Trade has played an important role in the country's economic growth, yet not to the expected levels given the country's economic development.
- The share of manufacturing exports have increased following the 2009 export-led FDI strategy.
- Transport and telecommunications drive service exports, but their overall share of total exports is below its peers

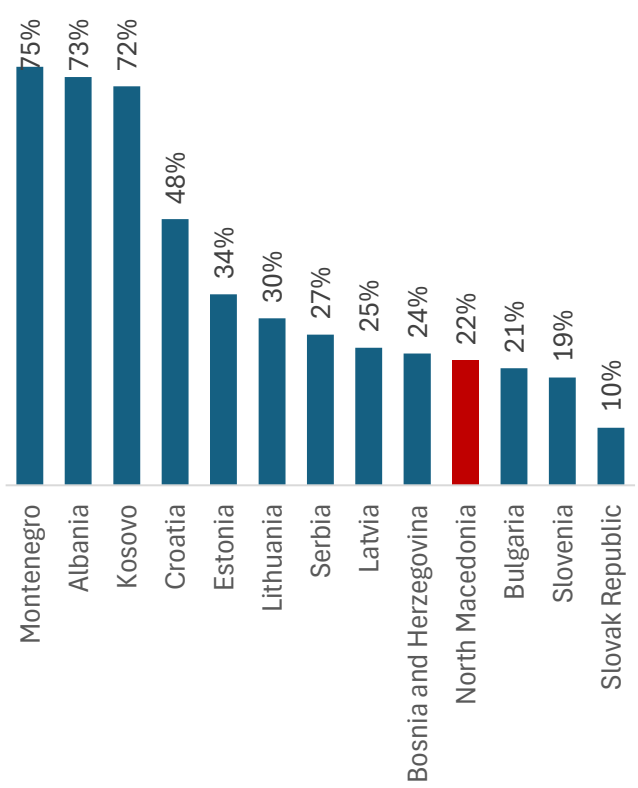
Contribution of trade to growth



Sectoral distribution of merchandise exports, percent



Services, percent of goods and services exports

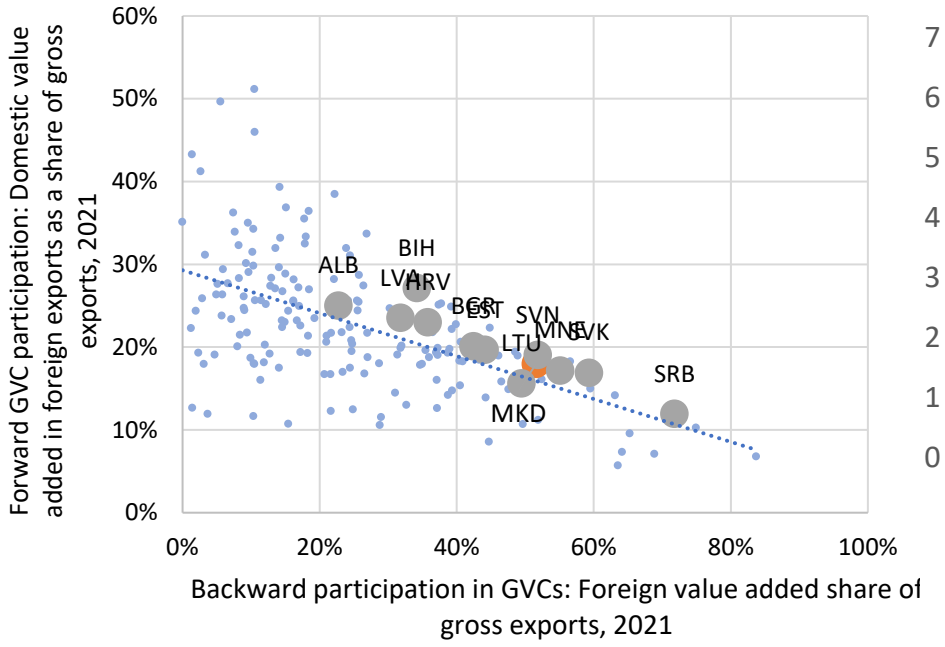


Source: WDI, World Bank staff calculations.

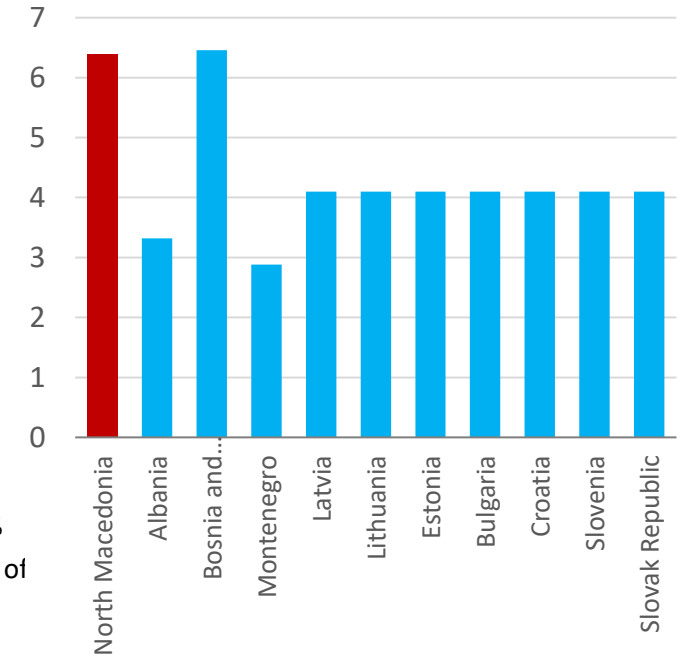
Trade integration advanced but trade policy and facilitation could improve

- North Macedonia's integration into Global Value Chains (GVC) improved over time and remains primarily backward-driven (car industry), indicating participation in more complex production processes.
- Since value chains involve goods crossing borders multiple times, efficient logistics, strong infrastructure, and low input tariffs are essential for deeper GVC integration.

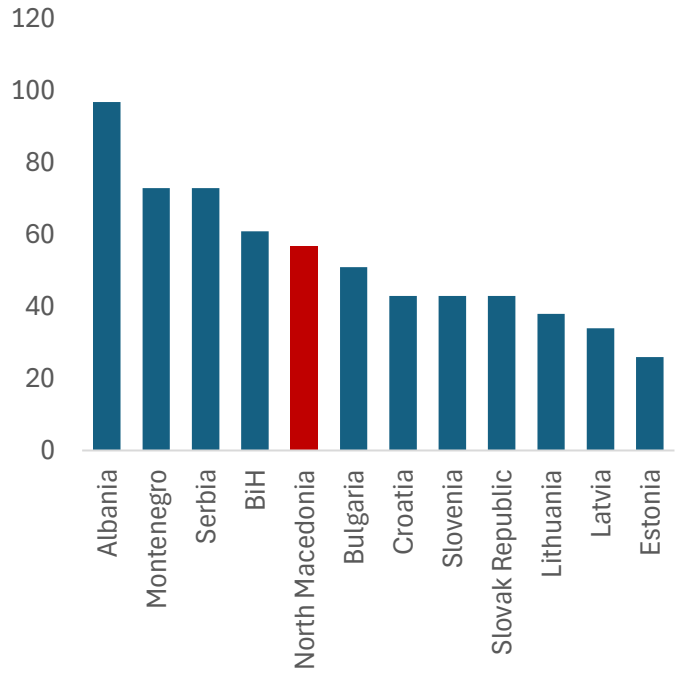
GVC participation



Tariff rate for manufactured products, most favored nation, simple mean (%)



Logistics Performance Index, 2023

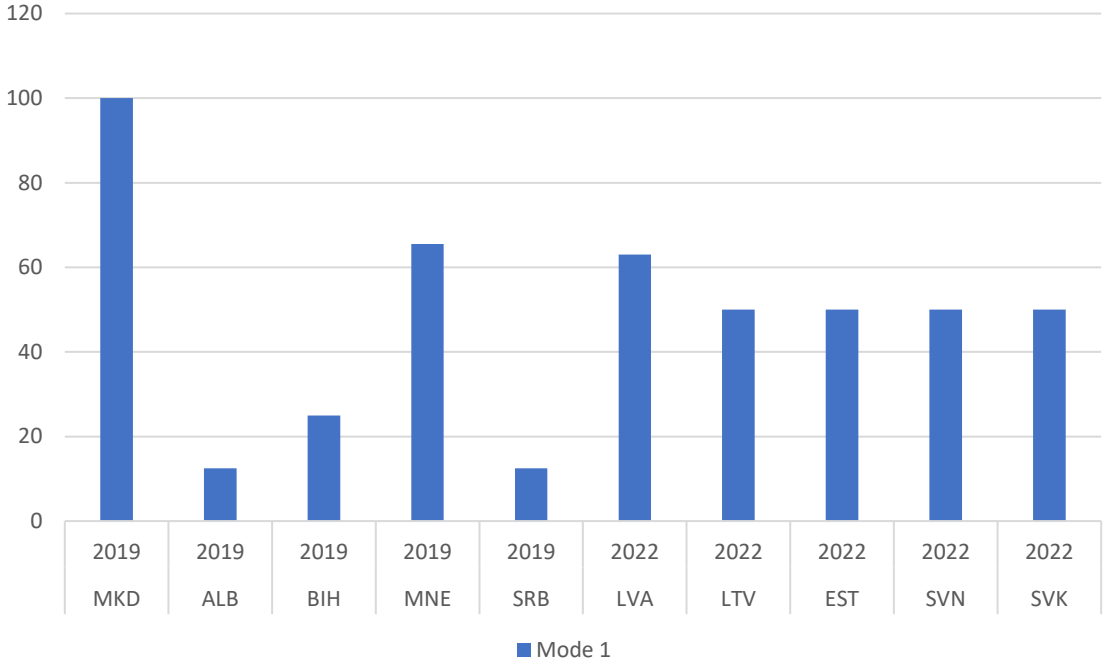


Source: WDI, World Bank staff calculations.

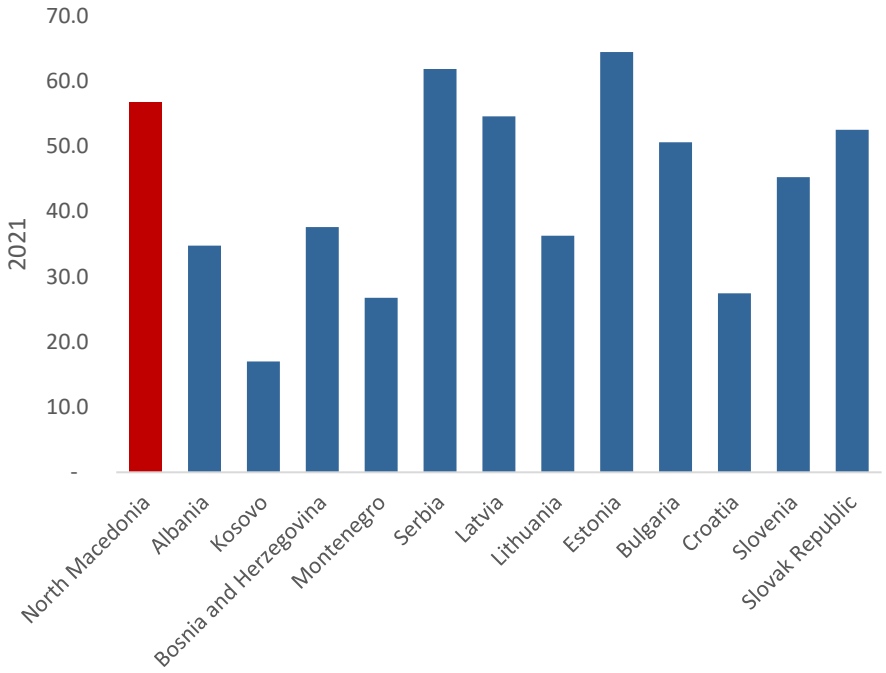
Digital trade and services are key for future export growth

- Lower restrictedness for trade in services than peers overall, but relatively high for computed and related services particularly in mode 1 (cross-border supply which covers digital services and international shipping)—highest among its peers.
- Infrastructure and connectivity are the main constraints.

Services trade restrictiveness index
(by mode of services supply for computer and related services)



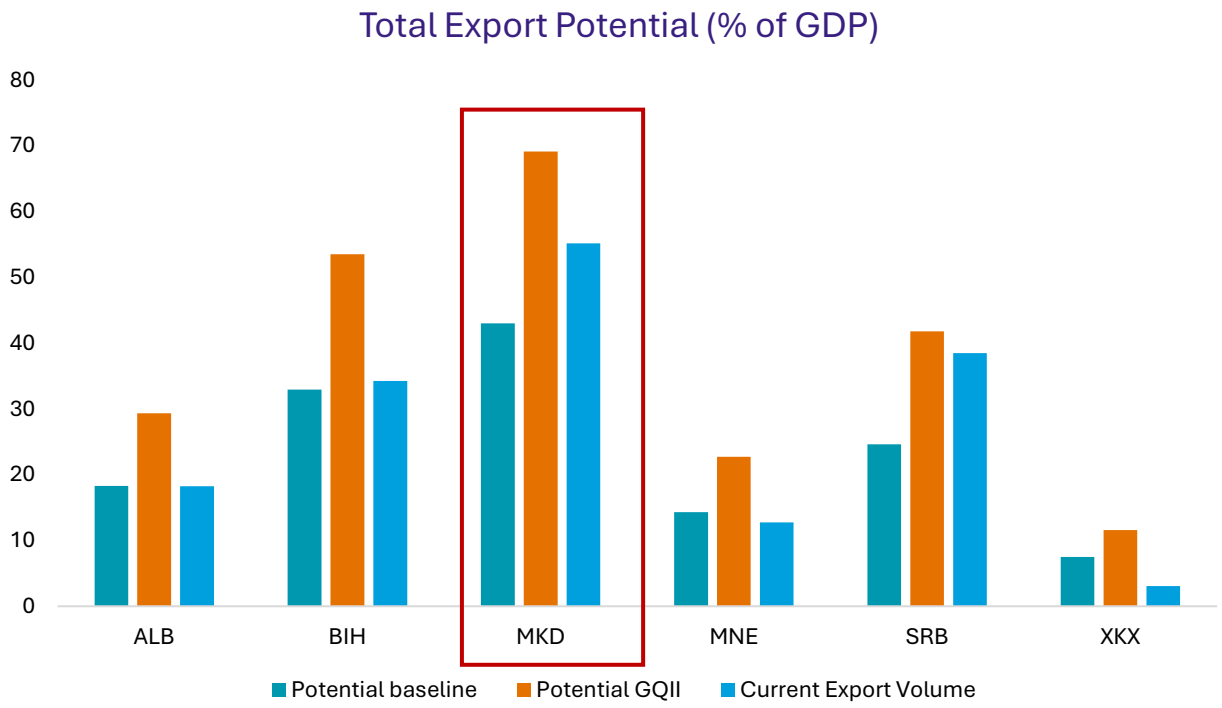
Communications, computer, etc. (% of service exports)

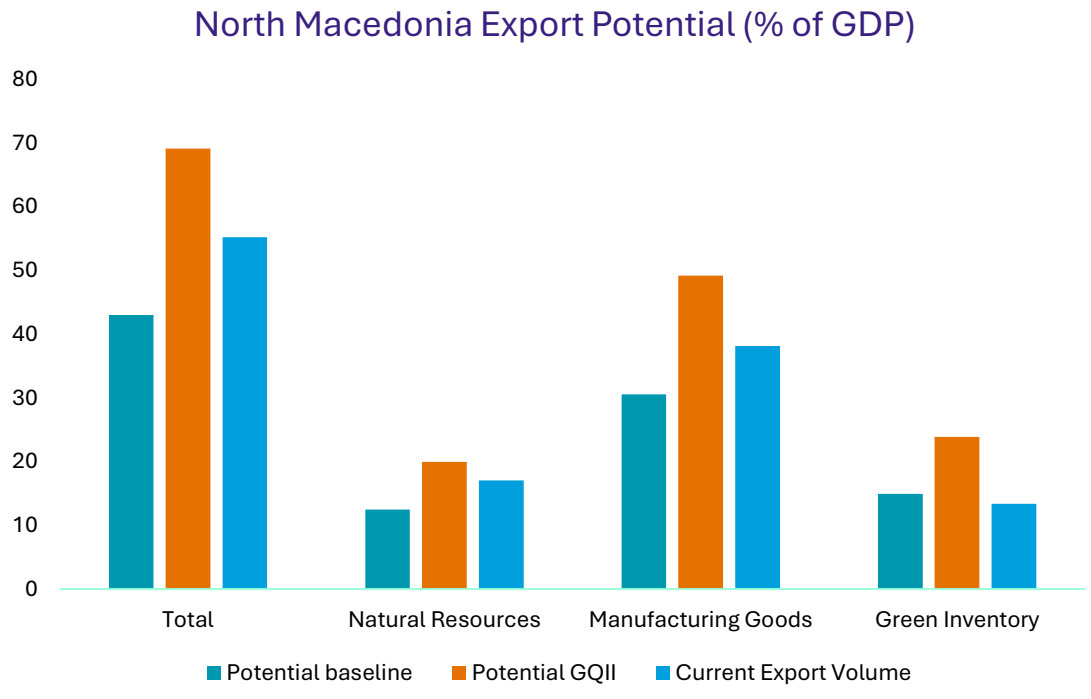


Source: STRI, World Bank staff calculations.

Improving quality infrastructure can boost export growth and competitiveness

- North Macedonia shows the largest export potential (43% of GDP), rising to 69% of GDP if QI increased by 0.05 (score).
- It possesses the highest export potential in green products, with 11 percent increase as share of GDP.
- The impact of quality infrastructure on these products is positive. For example, the export potential of MKD further increases by 7% of GDP.

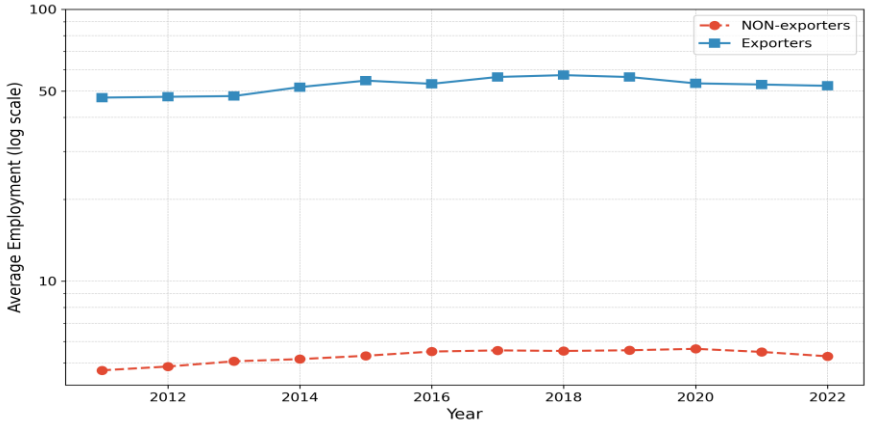


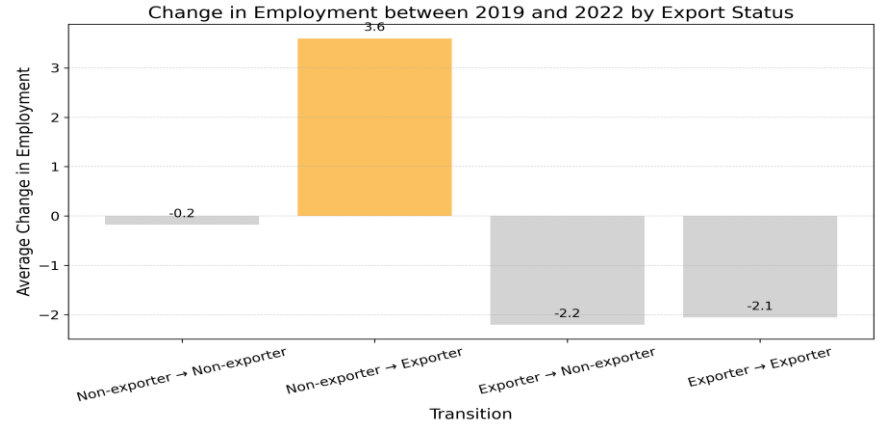


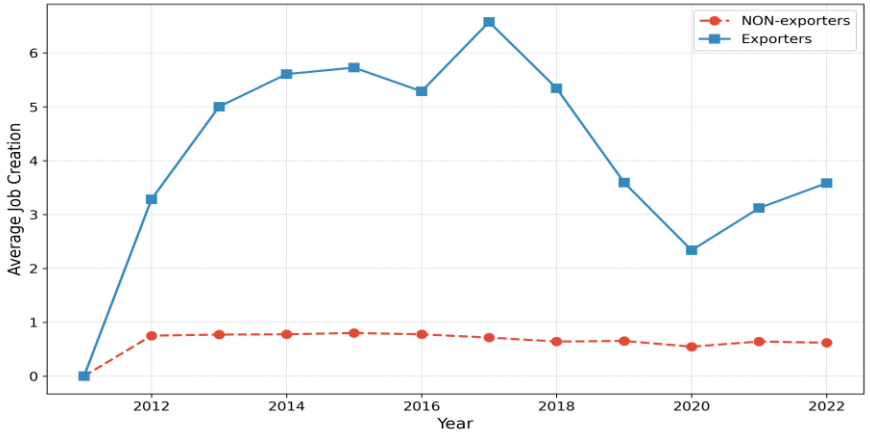
Source: World Bank staff calculations based on an improvement in QI of 0.05 for all Western Balkans countries using the gravity model estimates.

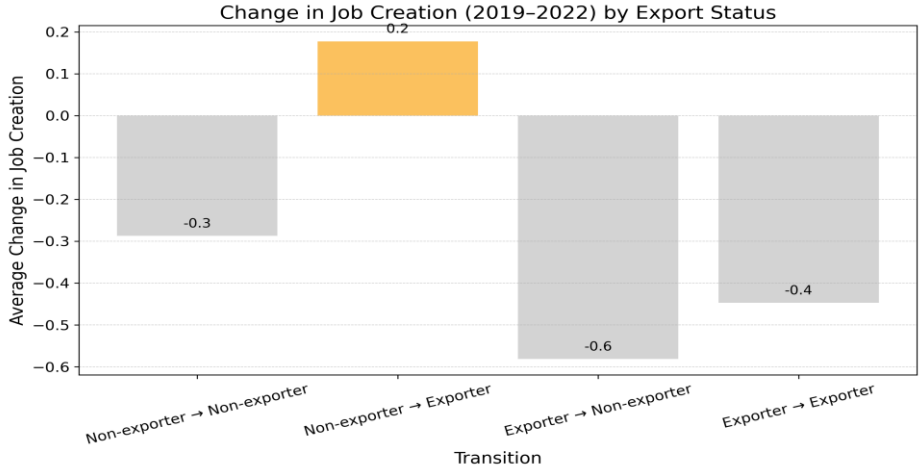
Improving quality infrastructure can boost export growth and competitiveness

- Exporting firms create up to 3 times more jobs (although declined since 2017) and employ more workers on average than non-exporters, with the gap remaining stable over time despite modest growth.
- The largest employment gains occur when firms begin exporting.
- Firms that continue exporting over time show lower job creation and declining employment levels.







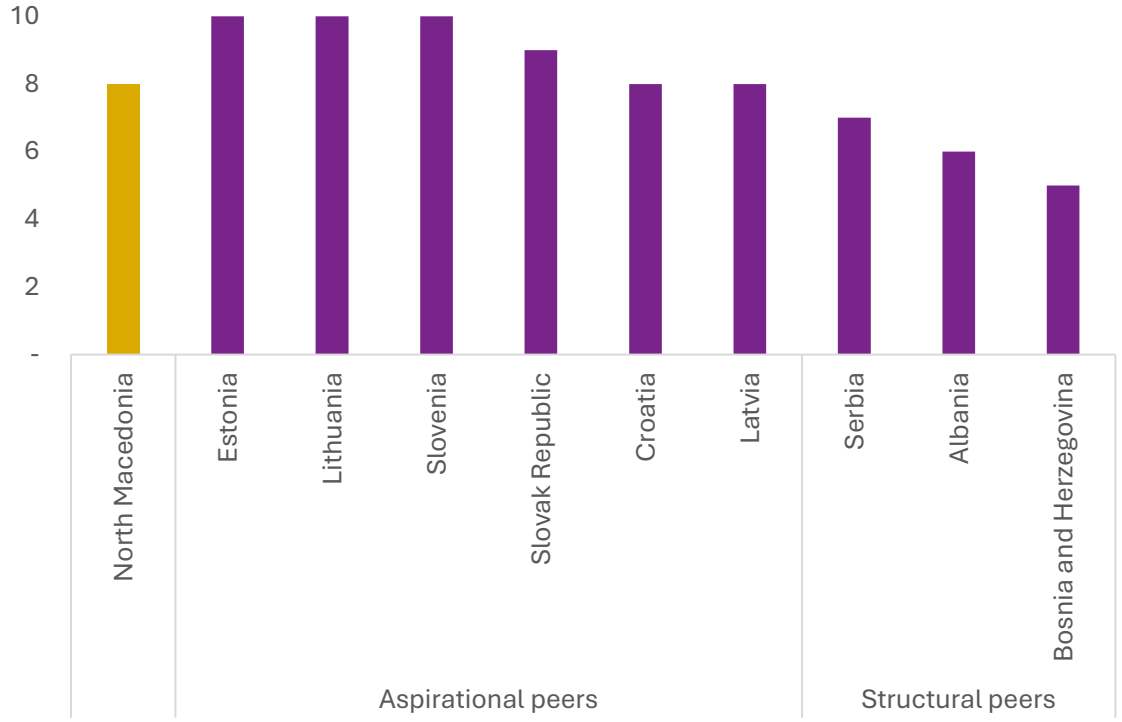


Source: World Bank staff calculations.

Relatively weak competition landscape in North Macedonia

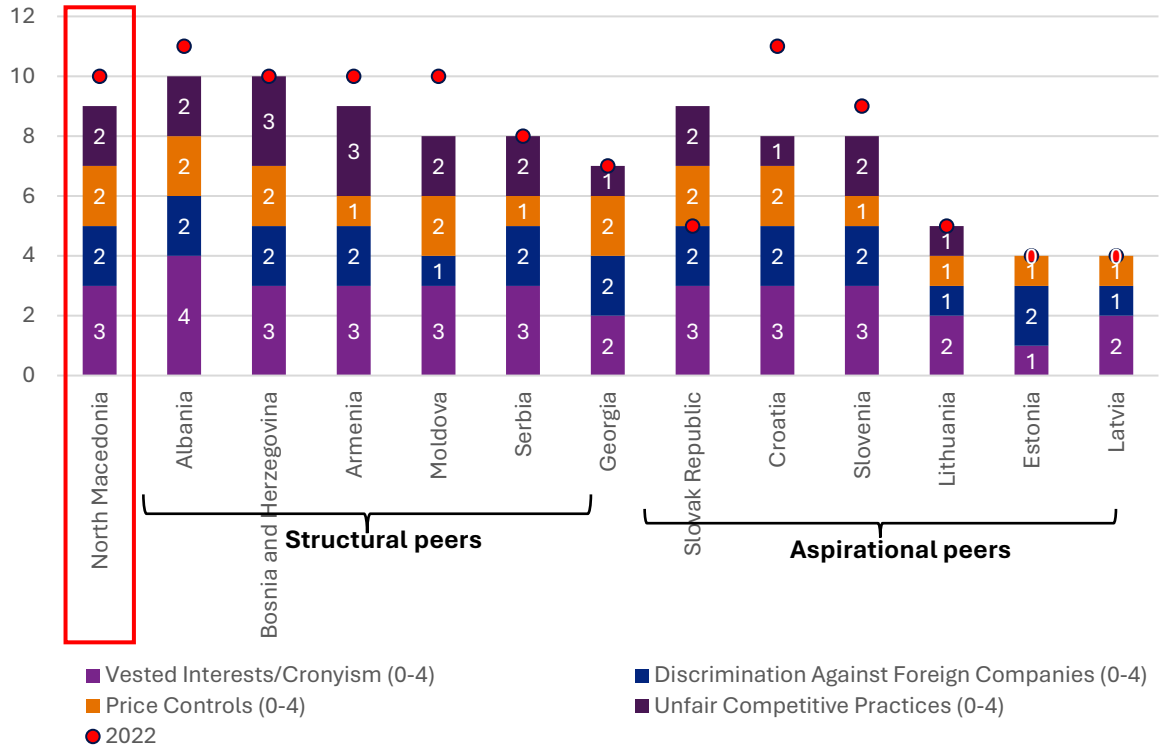
- In North Macedonia, several indicators of competition (concentration, entrenchment) point to a relatively weak competition landscape across several sectors →consistent with lower productivity levels and resource misallocation.
- Vested interests and cronyism distort decision-making and fuel operational risks for business.

Existence of enablers for market competition



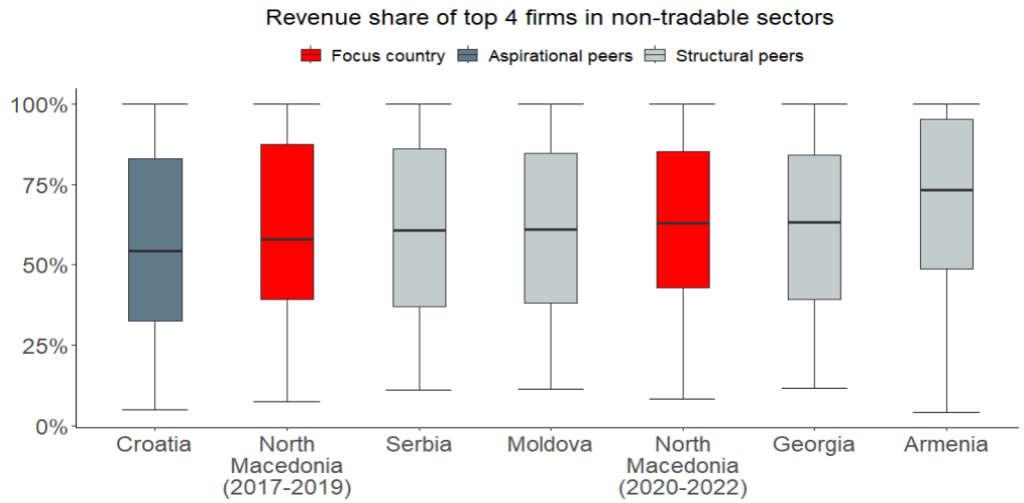
Source: The market competition and anti-monopoly policy indicators are from the Bertelsmann Transformation Index (BTI), 2024. Note: The BTI is an expert judgment indicator based on in-depth assessments of countries. Score varies from 0–10. A higher value on market-based competition perception means a better competition enabling environment.

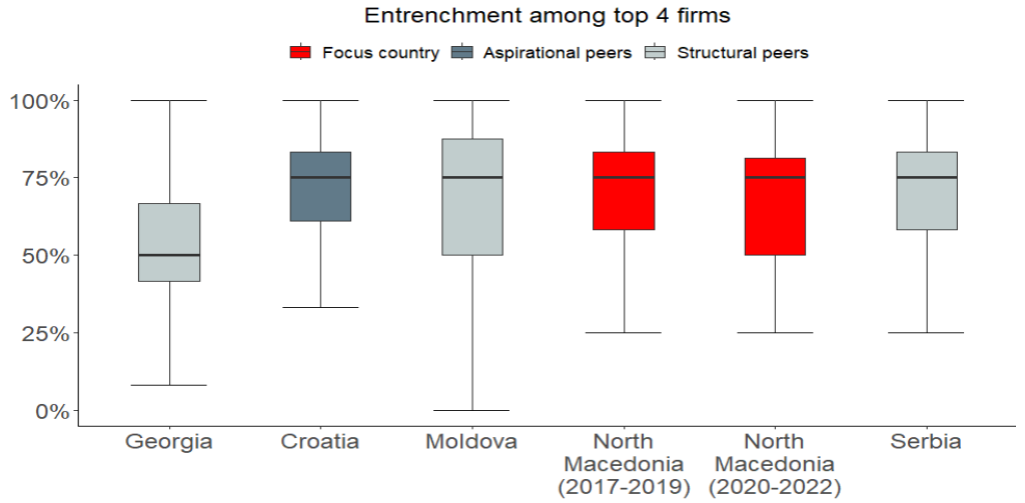
Operational business risks stemming from restrictions to competition

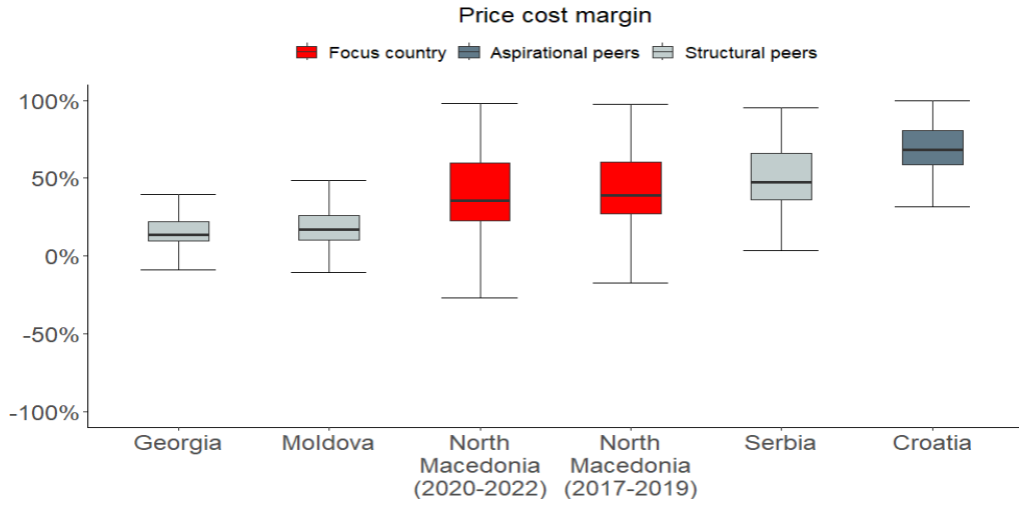


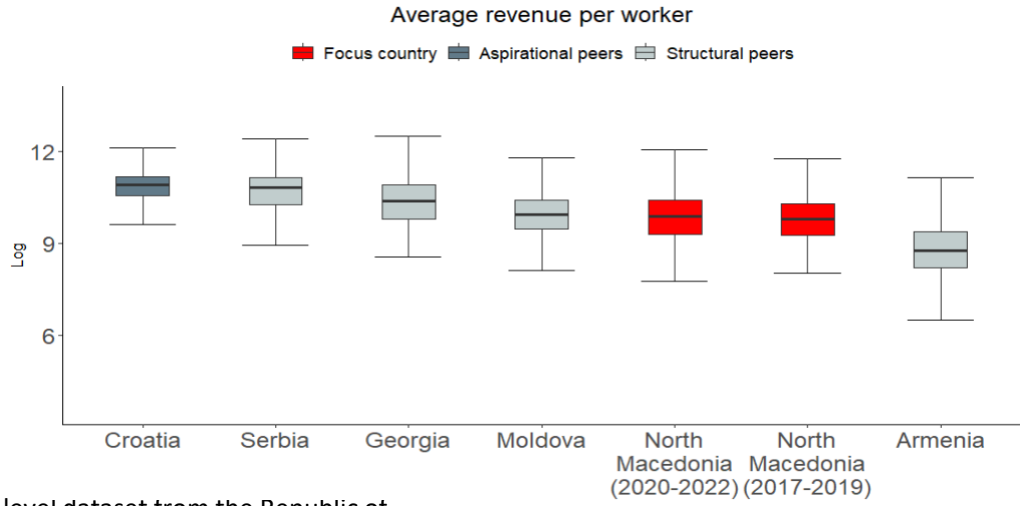
Source: The operational business risks indicators are from the Economic Intelligence Unit (2024, 2022). Note: The graph shows an aggregation of four indicators each scored on a scale from 0 (very little risk) to 4 (very high risk)

On average, industries in North Macedonia feature higher concentration, lower business dynamism among top firms and higher margins, but exhibit lower productivity levels.





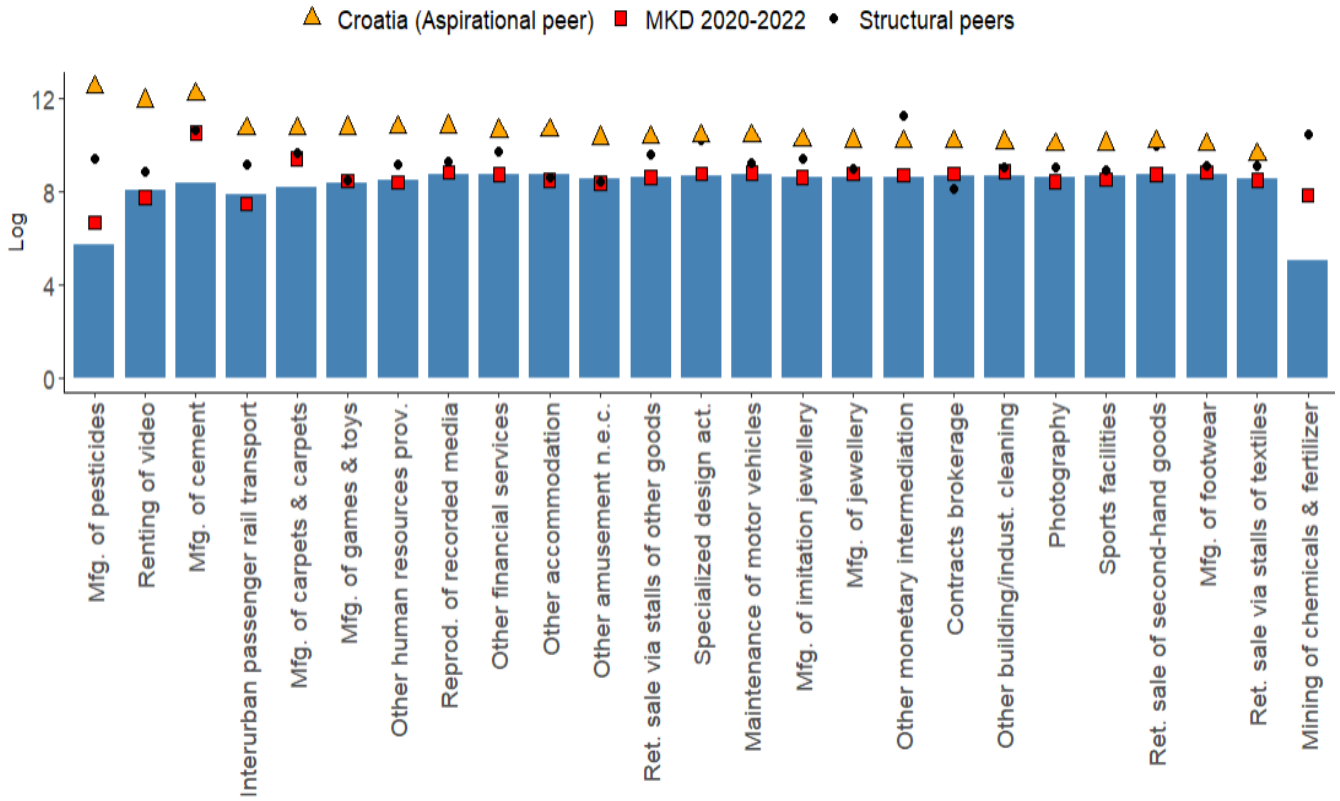




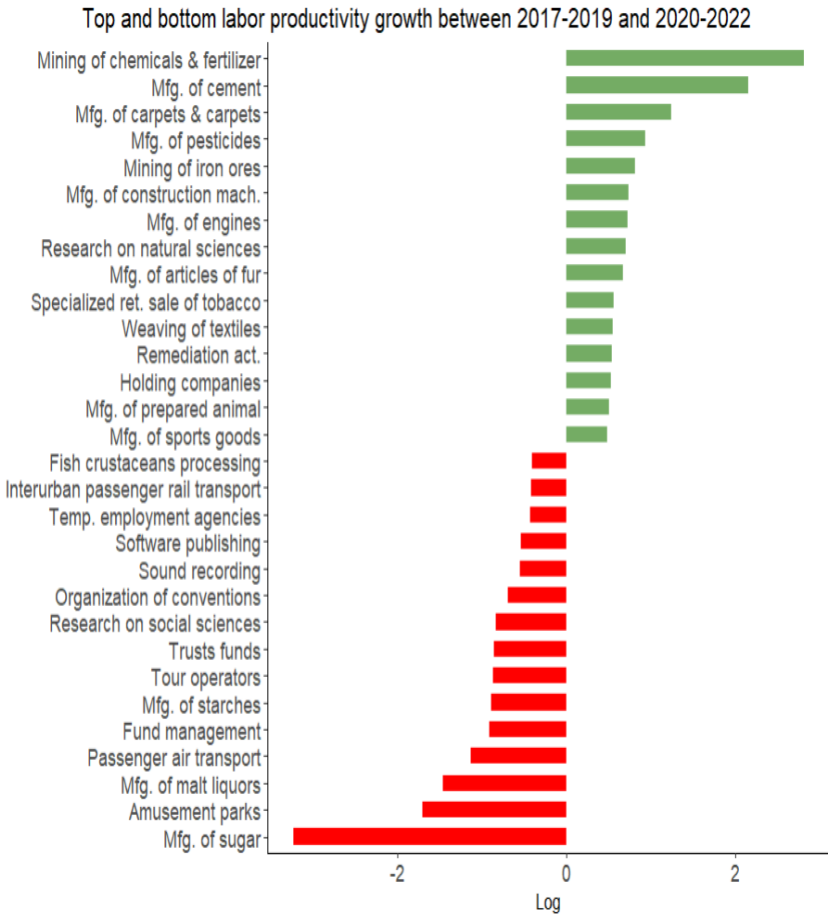
Source: The indicators are calculated by the Competitiveness Unit (ETIMT) based on firm-level dataset from the Republic of North Macedonia and peer countries. The source of the data for North Macedonia is the Central Registry of North Macedonia, which includes all registered (formal) firms, except self-employed (one person) firms. Note: The only aspirational peer in the data is Croatia. Structural peers consist of Armenia, Georgia, Moldova, and Serbia. The datasets used for Armenia is a different period (2018-2019) rather than 2017-2019.

Relatively high concentration or entrenchment rates lead to lags in productivity performance compared to peers; Several services industries saw growth declined during COVID period.

Bottom 25 industries with the lowest levels of labor productivity, 2017-2019 vs 2020-2022
(bars ordered by gap between North Macedonia and Croatia)



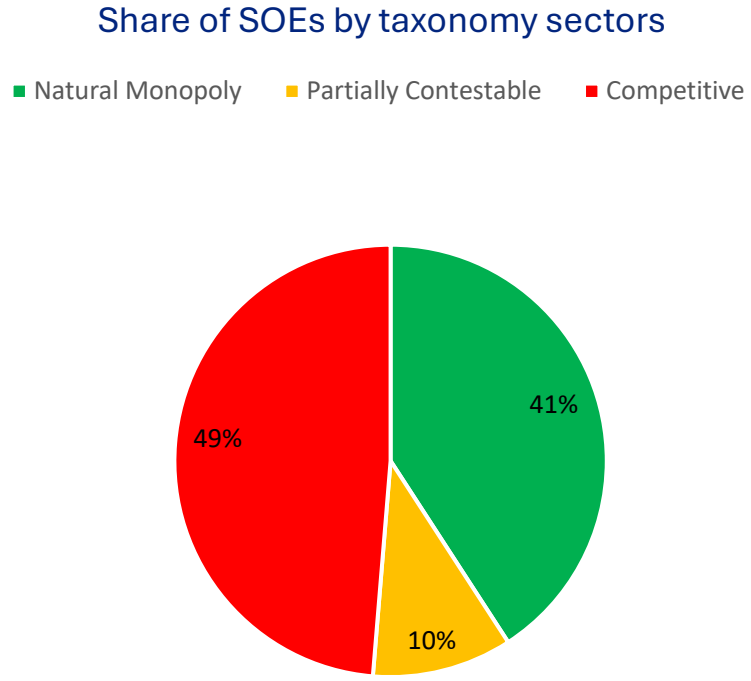
Top and Bottom 15 industries with significant change in labor productivity, 2017-2019 vs 2020-2022
(bars ordered by gap between North Macedonia and Croatia)

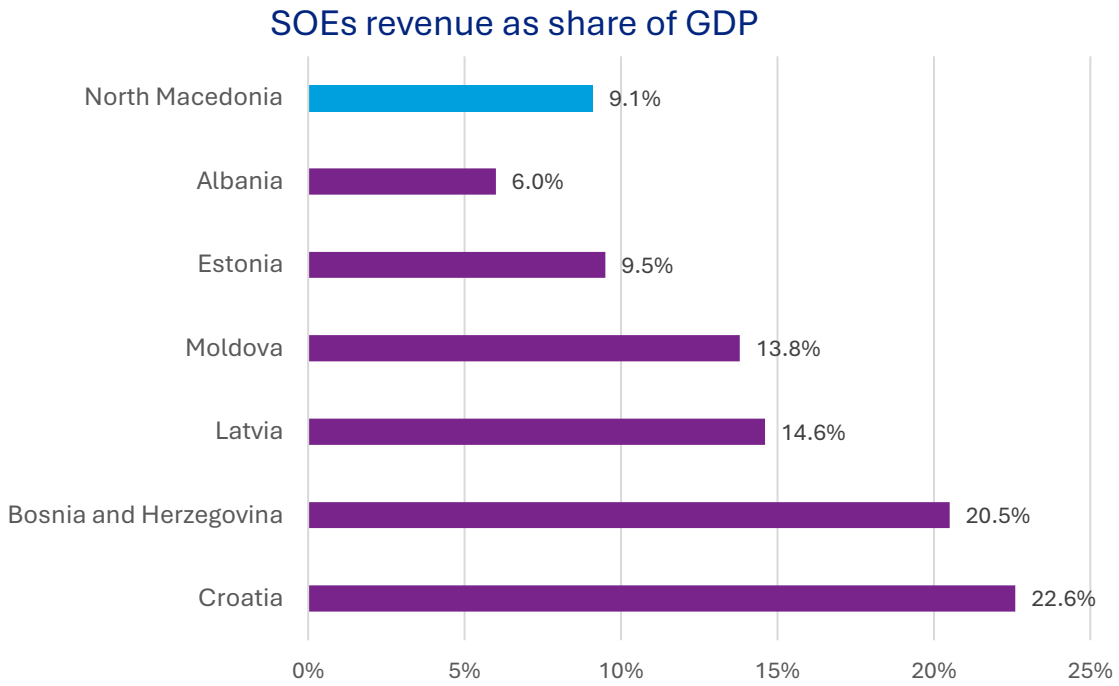


Source: The indicators are calculated by the Competitiveness Unit (ETIMT) based on firm-level dataset from the Republic of North Macedonia and peer countries. The source of the data for North Macedonia is the Central Registry of North Macedonia, which includes all registered (formal) firms, except self-employed (one person) firms. Note: Calculations at the 4-digit industry level using ISIC. The only aspirational peer in the data is Croatia. Structural peers consist of Armenia, Georgia, Moldova, and Serbia. The datasets used for Armenia is a different period (2018-2019) rather than 2017-2019. The revenue share of top 4 firms exclude firms in tradable sectors. Arts includes gambling and betting activities, operation of sports facilities, sports clubs and other sports activities; amusement parks, theme parks, and other amusement and recreation activities n.e.c.

State as a market player: While not large, the state presence in commercial markets calls for stronger governance of state-linked businesses to avoid hindering competition

- The Government of North Macedonia owns 191 domestic businesses, 49% of which operate in commercial sectors where private firms could be viable.
- Moreover, signs of misallocation are common in industries where SOEs are prevalent (e.g., 40% in the waste and water management sector where 50% of the industries show signs of allocative inefficiencies).





Source: World Bank BOS database (2019). Note: The database contains the list of enterprises where governments hold equity stakes of at least 10 percent. The number of BOSs includes only those operating in the domestic markets. Subsidiaries of domestic BOSs operating in foreign countries are excluded. The data coverage on revenue in the WB Global BOS database is: North Macedonia (99%), Albania (98%), Estonia (87%), Moldova (87%), Latvia (92%), Bosnia and Herzegovina (100%), Croatia (94%).

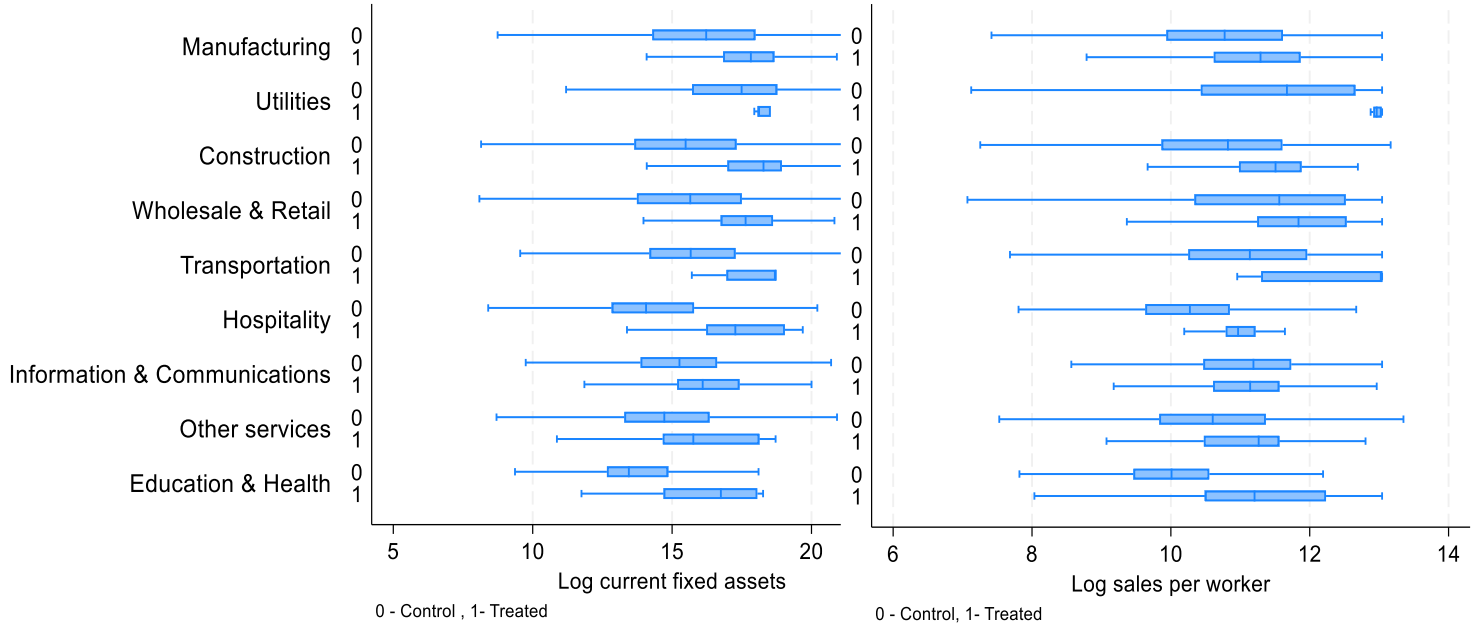
State as a financier: Some gaps have been identified in the allocation of state aid and effectiveness of some programs that could create potential market distortions.

There are some challenges and opportunities to improve state aid and mitigate potential distortive effects on markets

- Contrary to the EU law, some sectors are excluded by law from the state aid framework (e.g., agriculture, fisheries), which can allow some distortive measures to be granted.
- The framework for aid *to firms in difficulties* is underdeveloped, lacking a proper definition and criteria, potentially allowing for an undue use of these instruments.
- High fragmentation, limited predictability, and weak monitoring and evaluation systems across various State aid grantors.
- Lack of a consolidated and functioning inventory of State aid, including de minimis aid, hinders effective scrutiny.
- Improving the design of state support programs is key to increasing effectiveness.

...and to assess potential effectiveness of the programs

Beneficiaries from state support through the Innovation Fund (1) show a positive effect on fixed assets and sales, yet the results are no statistically different from non-beneficiaries (0)



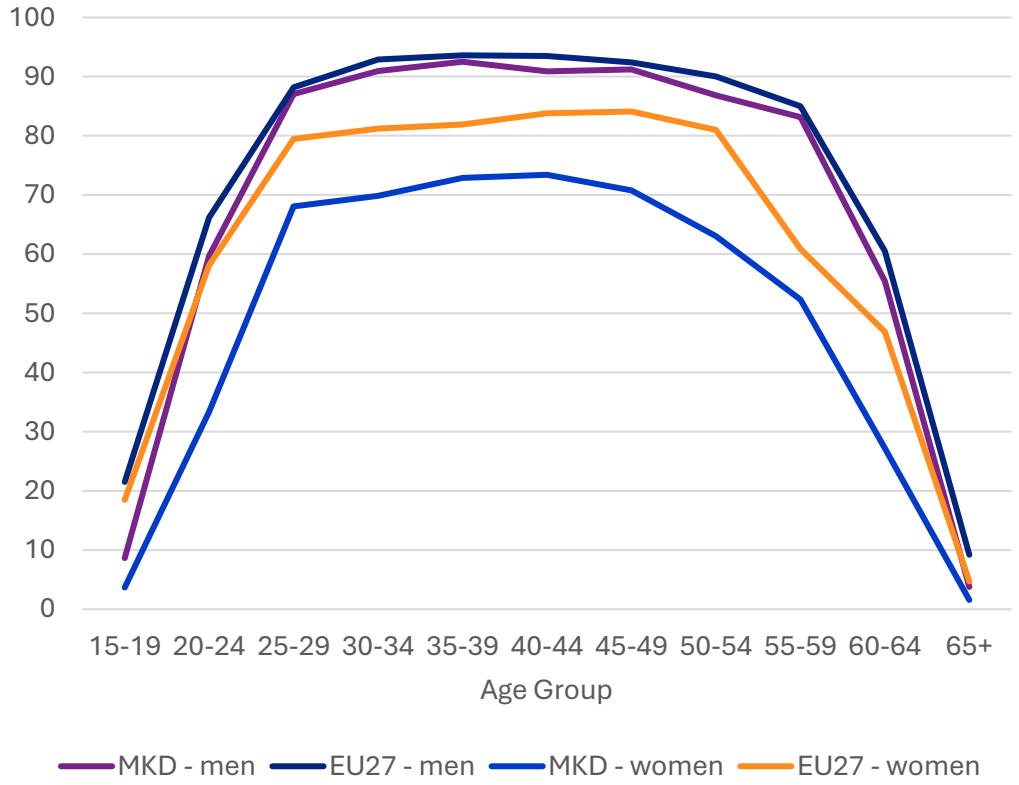
Source: World Bank staff using data from beneficiaries provided by the Innovation Fund and Credit Registry information from 2011-2022. Preliminary findings.

Gender, youth, skills, disincentives to work

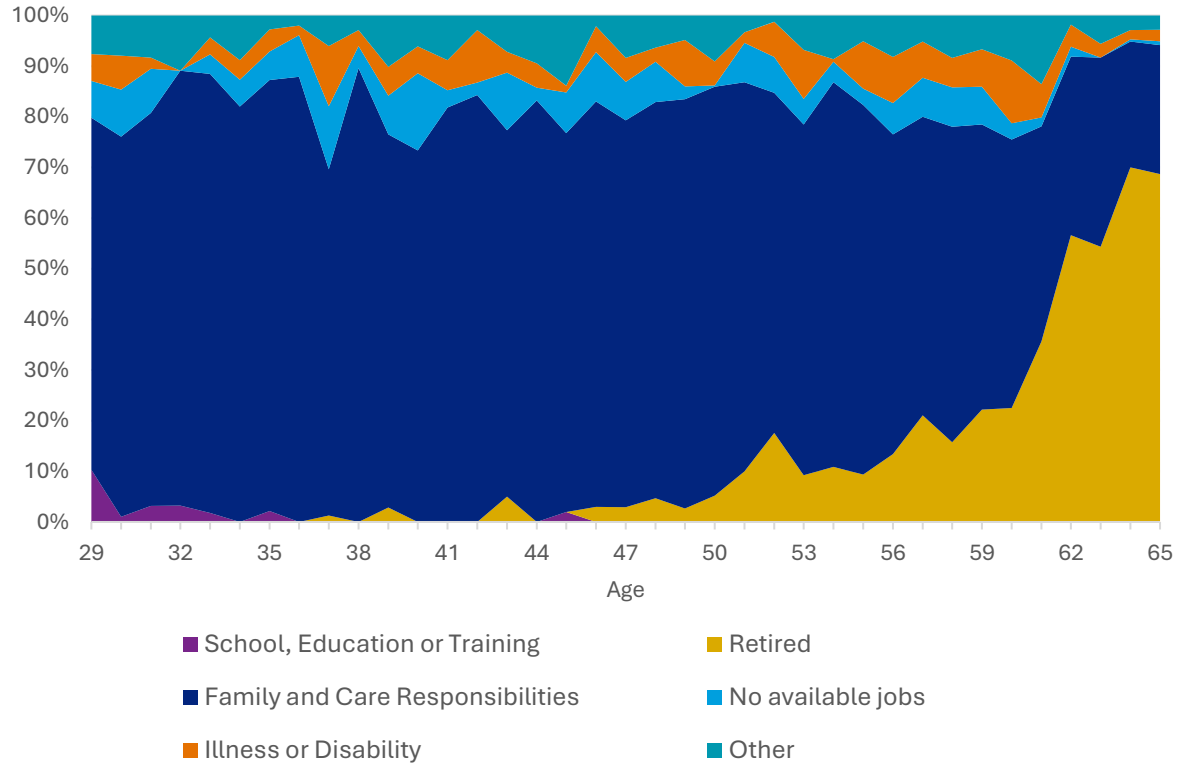
Too many prime-age women are left outside of the workforce

- Despite similar participation among men, one in three prime-age women is inactive—a rate far above peers.
- Unpaid care responsibilities are the dominant reason women stay out of the labor market.
- The gender employment gap in rural areas is close to double the gap in urban areas.
- Women have lower wage reservations than men, which may lead to lower relative wages upon reemployment, perpetuating wage disparities.

Activity rates by age, gender and location, percent



Reasons for inactivity among women, by age

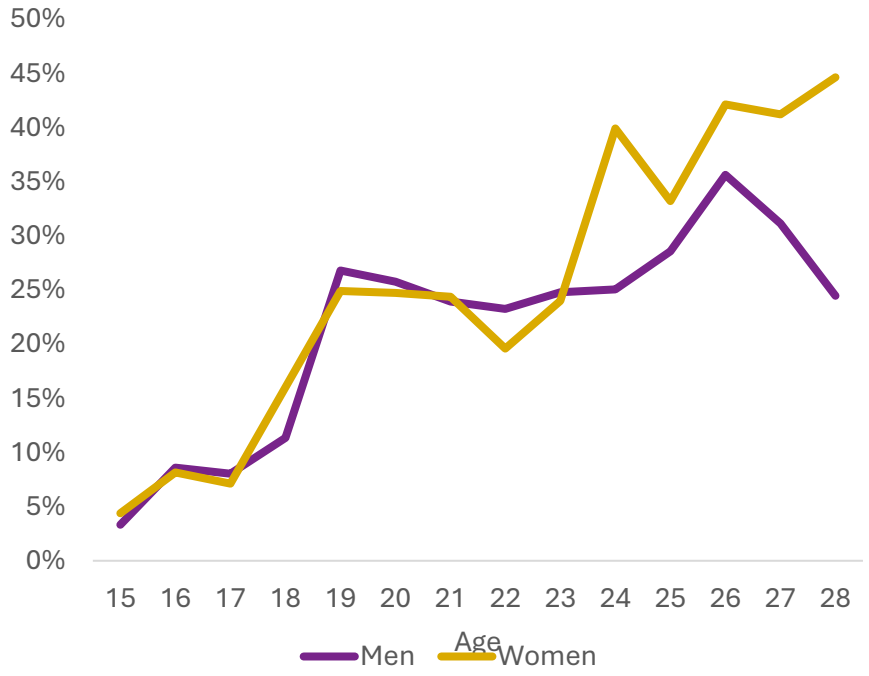


Source: 2023 Labor Force Survey collected by the State Statistical Office, World Bank staff calculations.

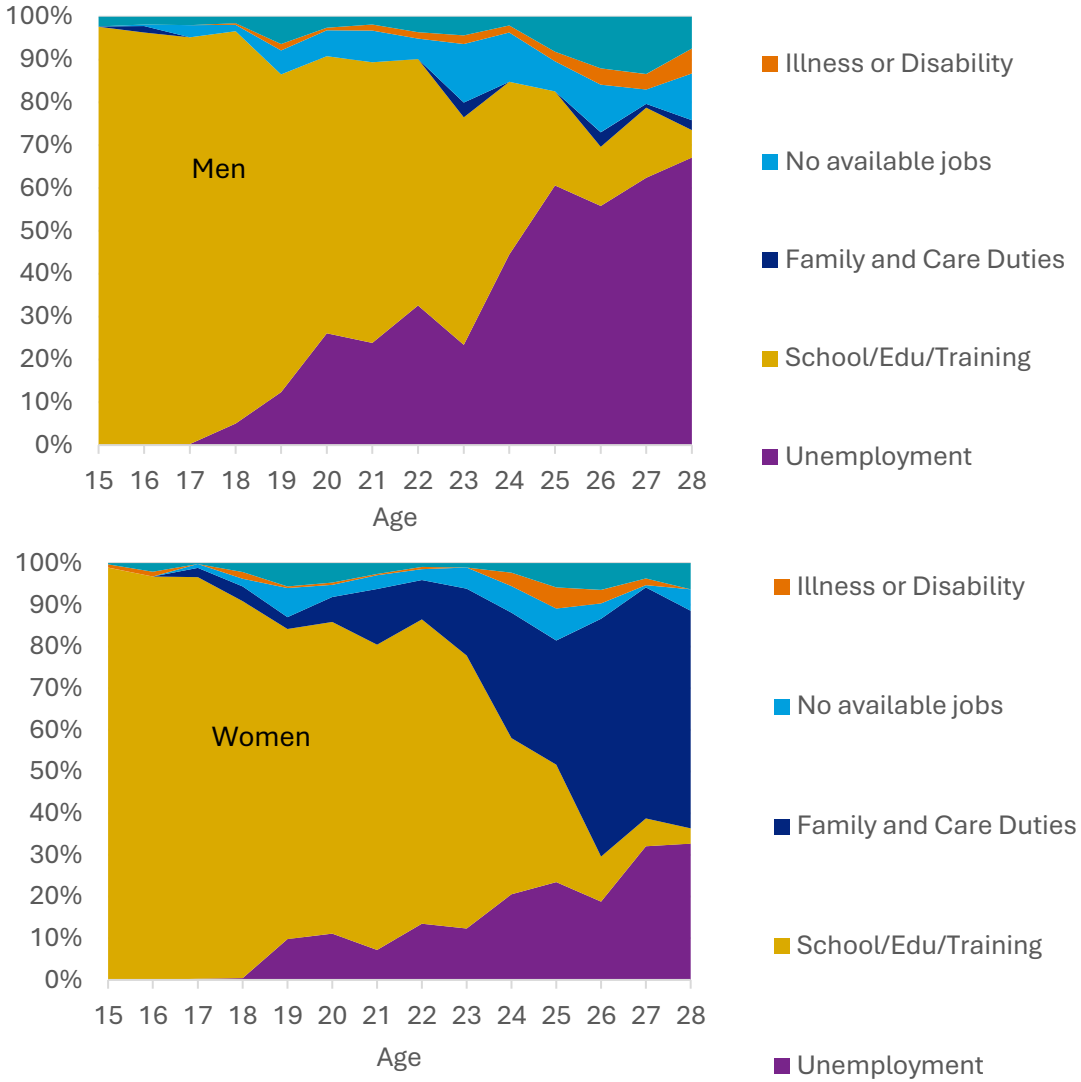
Disconnected youth: women leave for family duties, men struggle to find pathways to jobs

- Over one in four young people aged 18–28 are not in school, work, or training—especially women
- NEET rates spike among young women after age 23, suggesting barriers to labor market entry after leaving education

NEET rate by age and gender, percent



Reasons for not being employed among men (top) and women (bottom), by age



Source: 2023 Labor Force Survey collected by the State Statistical Office, World Bank staff calculations.

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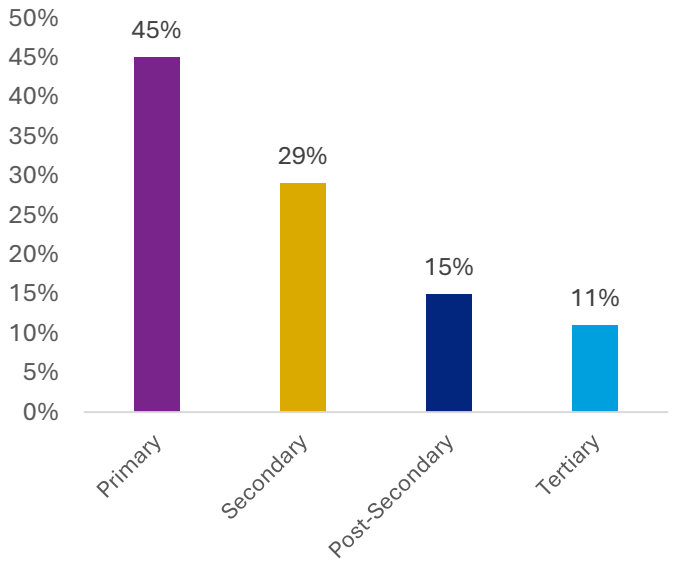
Labor demand is overly concentrated on low-skilled, manual, routine jobs

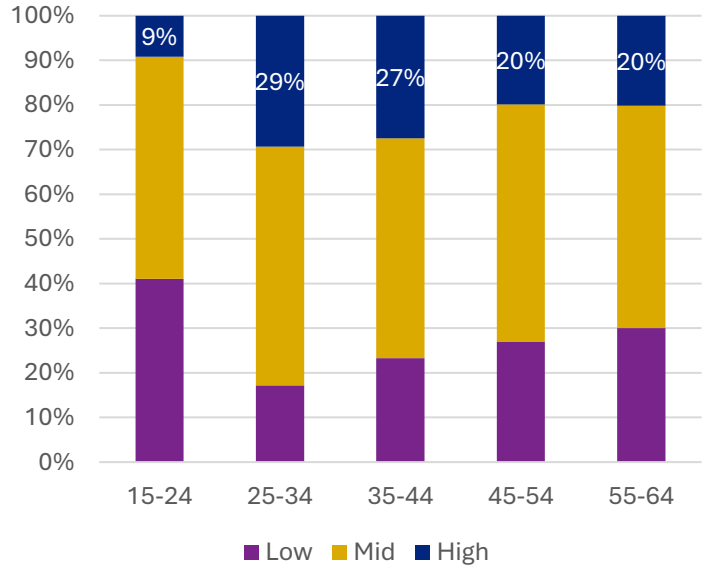
- 45% of jobs expected to be created in North Macedonia require only low levels of education, while just 11% require tertiary education.
- Meanwhile, more highly educated young people are entering the labor market: 26% of workers who started a new job after 2020 have tertiary education. As a result, even highly educated workers are often employed in occupations dominated by routine and non-analytical tasks.
- Only 36% of tertiary-educated workers are in jobs requiring predominantly non-routine analytical tasks, increasing the risk of skills underutilization and degradation.

Jobs expected to be created, by required education level



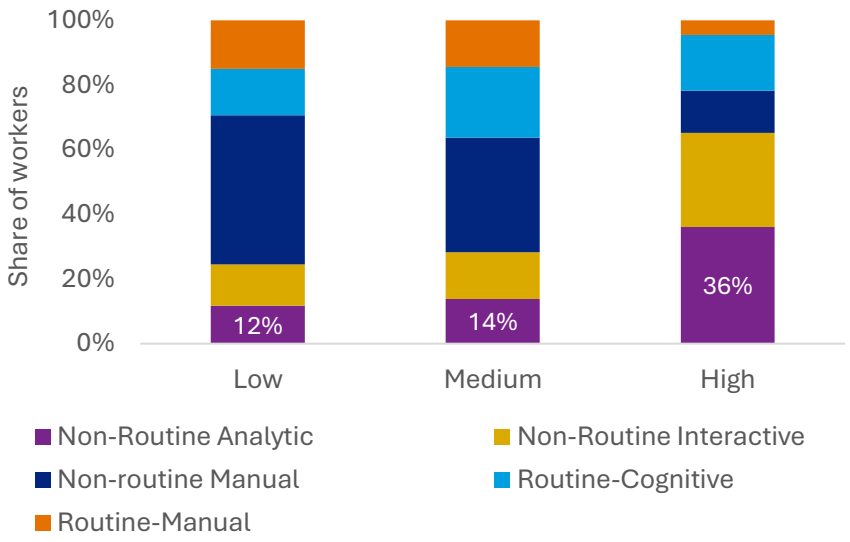
Source: Employer Survey, Employment Service Agency

Level of education among the employed population, by age



Source: 2023 Labor Force Survey

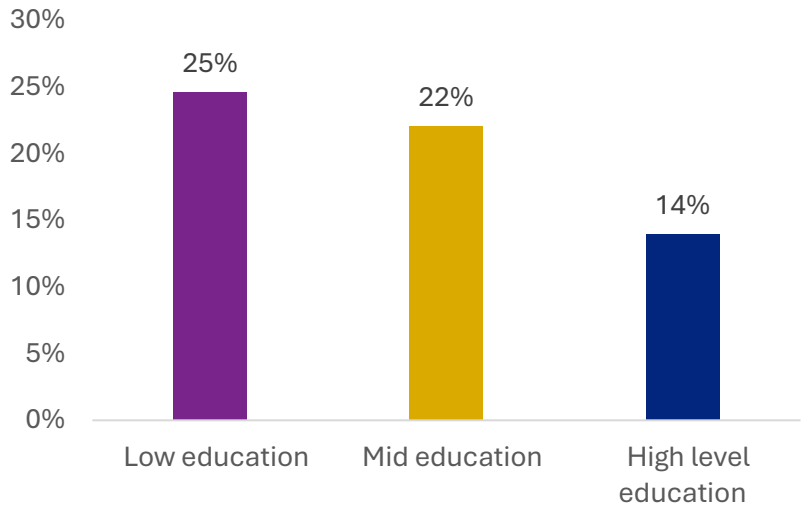
Types of tasks required in occupations of the employed population, by education level



Source: 2023 Labor Force Survey. World Bank Staff Calculations based on Mihaylov and Tijdens (2019)

The Future of Work will demand non-routine analytical skills

Share of 'Jobs-at-Risk' due to the Green Transition

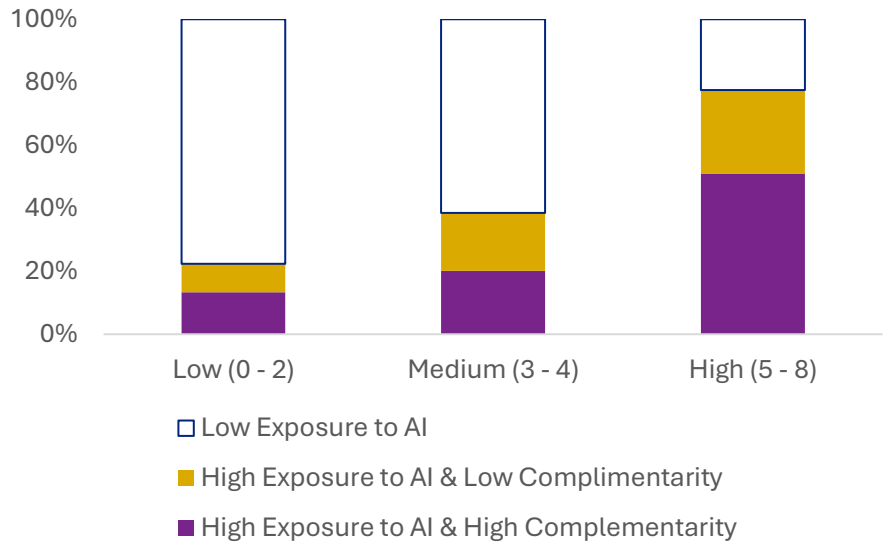


Source: World Bank Staff calculations using the LFS based on the methodology of Garrote Sanchez et al. (2024)

- As the world moves toward becoming carbon neutral, many workers will be at risk — either because they are in 'brown jobs' or because they will need substantial reskilling.
- In North Macedonia, this will disproportionately affect low-educated workers: on average, 12% of jobs are expected to undergo substantial task shifts, while 8% are in 'brown' sectors.

- Simultaneously, AI will further transform the world of work.
- Unlike the Green Transition or past automation waves, highly educated workers are now more likely to be exposed to AI: 78% of highly educated workers are estimated to be exposed to AI — although mostly in complementary ways that could drive productivity gains.
- However, around 131,000 workers are expected to face low complementarity, meaning higher risk of displacement.

Share of jobs exposed to AI and level of complementarity, by level of education

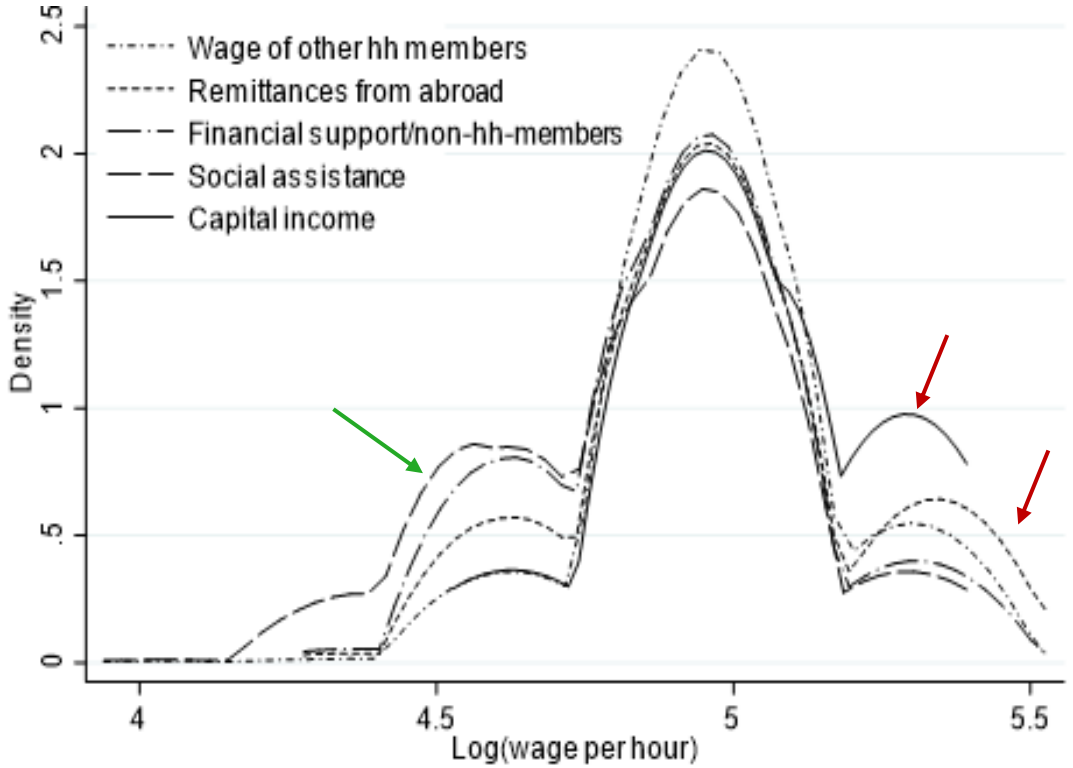


Source: World Bank Staff calculations using the LFS based on the methodology of Cazzaniga et al. (2024) and Felten et al. (2021)

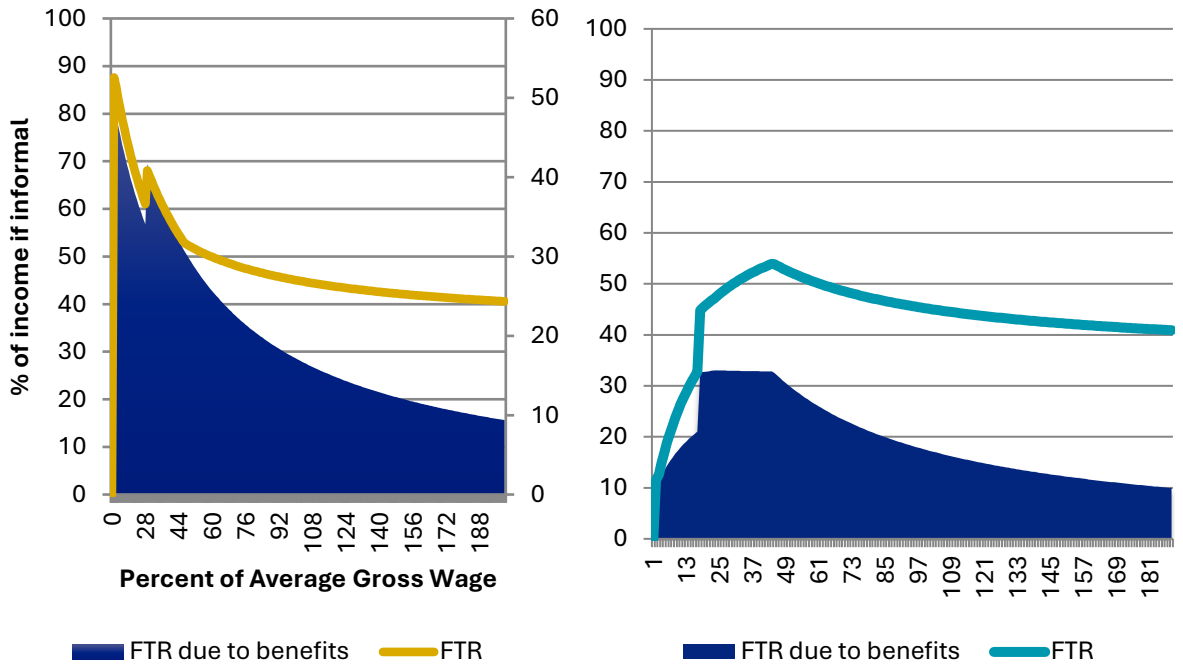
Two-sided barriers to formal employment: Worker disincentives and employer constraints

- Wage expectations among low-educated workers and Humanities graduates became more realistic by 2023, narrowing gaps that exceeded 40% in 2016.
- But individuals with capital income or remittances still exhibit high reservation wages, reducing labor supply.
- High dismissal costs and rigid contract rules reduce employer willingness to hire formally.
- High social contributions and immediate benefit loss discourage formal work uptake, especially for low earners.

Reservation wage distribution by household income source, 2023



Formalization tax rate by gross wage, current (left) and simulated reform (right)



Source: Marjan Petreski: Analysis of Reservation Wages in North Macedonia (2025);
World Bank and wiiw: Do Social Benefits in the Western Balkans Discourage Formal Employment? (2025)

Emerging policy recommendations

Strengthen firm productivity, technology infusion, energy efficiency, and innovation

Recommendations		Priority
A.	**Deepen Firm-Level Productivity Gains and Innovation Capacity**	
	1. Support continuous upgrading within firms, especially in manufacturing and services, through targeted programs for technology adoption and management practices. Interventions may include innovation vouchers and supply chain platforms for financing, among others.	High
	2. Enhance the impact of innovation funding on firm performance by refining selection, monitoring, and support, potentially through fewer, larger programs that build capacity in viable firms.	Medium
B.	**Improve Business Environment and Formalization**	
	1. Streamline business permits, licensing, and customs procedures to reduce regulatory burdens, especially for SMEs and growing firms.	High
	2. Assess digitalization capacity of different agencies involve in G2B services and identify possibilities for improvements, including among others, establishing business portals and online one-stop-shops.	Medium
C.	**Maximize the Impact of FDI**	
	1. Develop and implement a targeted FDI promotion strategy that has high potential to achieve the following: i. More and better job creation ii. Knowledge and technology transfer to local firms via industrial and spatial linkages iii. Sustainability/green economy	High
	2. Design and implement policies to enhance retention, expansion and linkages from existing FDI (e.g., grievance mechanism; intellectual property rights, etc.)	Medium
	3. Facilitate stronger linkages between foreign and domestic firms through supplier development programs and joint innovation initiatives, and integration support (e.g., technology matching services, co-location services)	High
D.	**Reduce persistently high energy intensity of firms via incentive-based and performance-linked support**	
	1. Shift focus from monitoring to deep decarbonization investments by incentivizing adoption of energy-efficient technologies and capital upgrades while prioritizing support for sectors with high technical potential for energy savings 2. Develop and expand energy service companies (ESCOs) and green credit lines that repay based on verified energy savings. 3. Consider reallocating funding program to support energy management skills among technical staff and managers.	High

Strengthening economic policy and governance

Recommendations		Priority
A.	**Reducing cost of financing and improving spending efficiency**	
	1. Reduce primary fiscal deficit to stem further public debt growth to improve sovereign credit rating	High
	2. Eliminate inefficiencies in public investment management	High
	3. Improve public education and health sector efficiency (including through mobilizing health taxation) to improve human capital	High
B.	**Creating the level-playing field**	
	1. Align wage and productivity growth to retain competitiveness through amended law on minimum wage	Medium
	2. Digitalize government services and ease access to permits 3. Consolidate the number of state aid programs and ease access to state aid information through a singel-portal	High
	4. Broadening the tax base by eliminating exemptions for firms in TIDZ	Medium
C.	**Incentivizing decarbonization for resilience**	
	1. Enforce ESG in credit standards 2. Introduce ESG standards in public procurement tenders	Medium
	3. Put price on carbon through the Law on Climate 4. Eliminate carbon subsidies to reduce the impact of CBAM on the economy	High

Strengthen the trade performance

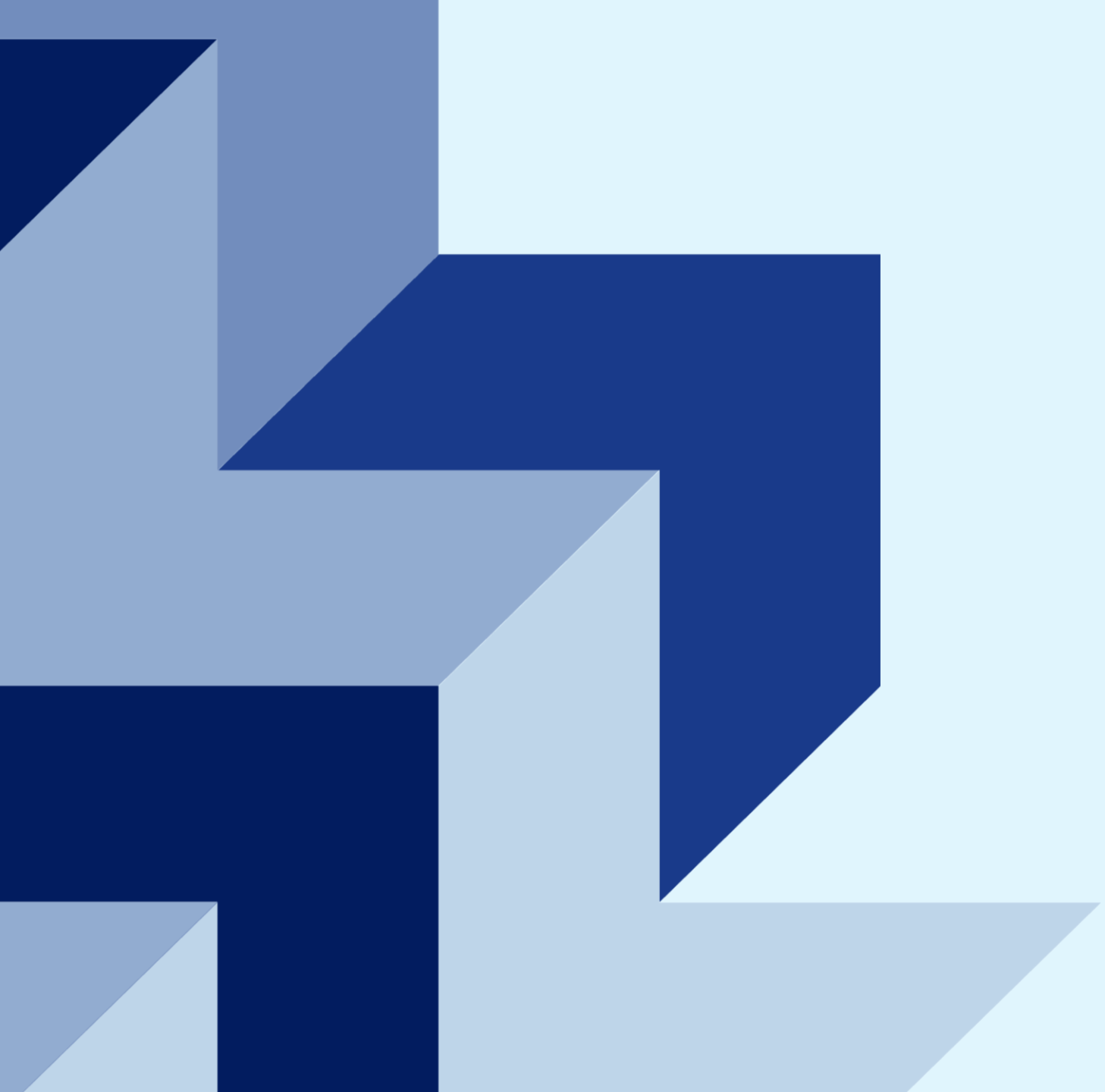
Recommendations	Priority
A. Review export-led FDI strategy	
1. Revise the export-oriented FDI strategy by shifting focus from low-cost assembly to high-value sectors. Prioritize productivity-driven investments that promote local supplier linkages, skills development, and technology transfer. i. Consider conducting a thorough assessment of FDI's impact on domestic firm productivity, jobs creation, complex exports with local value-added, R&D, and skilled employment. ii. Consider refresh the country's FDI attractiveness to highlight EU market access, a young and productive workforce, better infrastructure, and quality of life and tourism destination and closeness to EU. Establish a strong monitoring and evaluation system to track impact and guide policy adjustments.	High
2. Review import tariffs for input and intermediate goods in selected sectors for FDI, but also extend those to other domestic firms, to ensure that firms produce goods and exporting services have access to high quality and cost competitiveness inputs and capital goods	High
B. Enhance Trade in Services	
1. Improve the regulatory environment to enable mode 1 cross border services, which are key for digital services growth by i. Review and adopt transparent and predictable rules for cross-border e-commerce and digital trade ii. align domestic laws with international best practices on digital trade and services regulation.	High
2. Agreement of mutual recognition of professional qualification with the regional and other main training partners	
C. Strengthen Quality Infrastructure to boost exporter resilience and growth	
1. Enhance the National Quality Infrastructure through targeted sector-level improvements.	Medium
2. Negotiate Mutual Recognition Agreements to reduce technical barriers to trade.	Medium
3. Support firms in entering export markets.	High

Strengthen the institutional and regulatory framework to promote competition

Recommendations	Priority
A. Ensure good governance and management of state businesses to reduce potential distortions:	
1. Consider creating a strong legal framework governing state ownership of enterprises by publishing a clear state ownership policy to articulate the economic rationale for ownership and wane ownership interests in SOEs whose economic activities fall outside the policy rationale to help crowd in private investment. Ideally, it would be important to consider limiting SOEs to industries where private participation is not viable, market failures exist, and state ownership is the best policy solution.	High
2. Consider adopting good corporate governance principles for SOEs, particularly those in competitive sectors, to improve their performance. These include: (i) centralizing SOE ownership in one entity or at least harmonize ownership practices across owners; (ii) electing independent boards and CEOs; and (iii) using performance agreements effectively and publishing annual results for accountability.	High
B. Address economy wide and sectoral regulatory constraints to competition to encourage new entry	
1. Consider adopting the "silence is consent" principle as a standard procedure for issuing license and permit to foster business creation economywide.	High
2. Consider improving sectoral regulation of key enabling sector, such as rail transport.	Medium
C. Improve the competition and state aid regulatory framework	
1. Consider enhancing the competition regulatory framework to limit potential anticompetitive actions and ensure more efficient merger control.	
i. Consider clarifying the scope of the exemptions for hard core cartels and abuse of dominance through secondary legislation.	High
ii. Consider other factors beyond market share threshold to establish dominance of firms as in the EU, as this is key in digital markets.	
iii. Consider revising the merger notification thresholds, adopting a simplified procedure for transactions that do not typically raise concerns, and strengthening the procedure for merger notification to increase legal certainty and reduce undue burden on the authority and investors.	
2. Consider improving the State aid regulatory framework to limit distortions and foster a level playing field by	
i. Review the state aid framework to extend its scope, develop an aid framework for firms in difficulties, ensure an efficient, effective and transparent distribution of aid, and enhance ex post evaluation practices.	Medium

Strengthen the labor market performance

Recommendations		Priority
A. Enable women's equal participation and opportunities in the labor market		
	1. Expand access to childcare and eldercare services to address a key barrier preventing women from entering and remaining in the labor market.	High
	2. Promote behavioral and institutional change to challenge social norms and gender biases that limit women's economic participation, including measures to reduce the gender wage gap and introduce labor code reforms that support flexible and inclusive work arrangements.	High
	3. Design and implement gender-sensitive employment counselling and ALMPs that address the specific barriers women face in accessing quality jobs, such as skills gaps, caregiving responsibilities, and occupational segregation.	Medium
B. Support an effective School-To-Work Transition for Youth		
	1. Scale up workplace-based learning, align vocational and tertiary education with labor market needs, and explore feasibility of establishing tertiary vocational education.	High
	2. Facilitate youth employment by strengthening career guidance systems, expanding school-to-work transition programs, and adapting labor regulations to better support youth entry into the labor market.	Medium
	3. Stimulate demand for young workers by offering targeted hiring incentives, subsidizing work-based training and apprenticeship programs, and supporting employer participation in youth employment initiative.	Medium
C. Encourage lifelong learning of workers to enable their full potential		
	1. Expand access to tailored upskilling programs for unemployed individuals focusing on foundational, digital, and job-relevant skills to improve employability. Provide reskilling opportunities aligned with local labor market needs, prioritizing occupations facing current or projected labor shortages.	High
	2. Introduce financial and regulatory incentives for employers—particularly small and medium-sized enterprises (SMEs)—to co-invest in the upskilling and reskilling of their workforce.	Medium
	3. Develop and regularly disseminate labor market intelligence to support evidence-based decision-making by employers, education providers, and policymakers.	Medium
D. Reduce labor market frictions by reforming social and employment policies to better support participation and formalization		
	1. Reform labor code and labor tax system to allow more flexible use of fixed-term contracts, particularly for first-time hires, gig economy or seasonal needs.	Medium
	2. Make work pay: Phase out social benefits for social assistance recipients gradually (rather than immediately upon employment) to avoid benefit cliffs. 3. Strengthen activation measures (e.g., job search support, tailored training) for recipients of social assistance.	High



Thank you