

**FISR2**

STRUCTURAL REFORMS BETTER INTEGRATED  
WITHIN FISCAL FRAMEWORKS

**Analysis of labor and education reforms  
within Economic Reform  
Programmes 2024-2026**

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# The structure of presentation

1. **Documents** used for analysis of obstacles and reforms in labour market and education system
2. Employment and labour market **statistics** with general conclusions
3. Identified **obstacles and challenges** in the labour market and education system with general conclusions
4. Prioritized **reforms** in the labor market and education system with general conclusions

# 1. Documents used for analysis of obstacles and reforms in labour market and education system

The analysis is based on following documents:

- European Commission's (EC) assessment of the ERPs of each beneficiary for period [2023-2025](#) (April, 2023)
- Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye (JC, May 2023) that have emerged from EC's Assessment of ERPs [2023-2025](#)
- ERPs of Albania, Kosovo, Montenegro, North Macedonia, Serbia and Turkeyie for period [2024-2026](#) that have been drafted based on JCs and EC assessments of ERPs [2023-2025](#) of each beneficiary.
- **You will need all of them when drafting reforms on labour market and education for Reform Agenda 2024-2027!**

## 2. Employment and labour market statistics (2021\*)

	Albania	B&H	Kosovo	Montenegro	North Macedonia (2020)	Serbia	Turkiye	EU average
Employment rate (% of population aged 20-64)	63.3%	52.6%	32.3%	54.2%	59.1%	66.7%	51.0%	73.1%
Unemployment rate (% of labour force aged 15-74)	11.6%	17.4%	25.8%	16.6%	16.4%	11.1%	13.2%	7%
Long-term unemployment rate (% of labour force 15-74)	7.0%	11.8%	n.a.	11.0%	12.4%	4.5%	3.3%	2.8%
Gender employment gap (p.p. difference between the employment rates of men and women aged 20-64)	16.3pps	26.9pps	32.8pps	11.1pps	19.9	14pps	38.1pps	10.8pps

Source: ERPs 2024-2026 (national statistical authority and published on an "as is" basis and without any assurance as to their quality and adherence to EU statistical methodology)

## 2. Education and skills (2021\*)

	Albania	B&H	Kosovo	Montenegro	North Macedonia	Serbia	Turkiye	EU average
Early leavers from education and training (% of population aged 18- 24)	17.4%	4.7%	7.8%	6.7%	5.7%	6.3%	26.7%	9.7%
Young people not in employment, education or training (NEET) (% of population aged 15- 24)	24.0%	19.9%	40.4%	26.5%	24.2%	11.1%	32%	10.8%
Individuals who have basic or above basic overall digital skills (% of popul. 16- 74)	23.8%	34.6%	28.0%	47.2%	35%	41%	36%	53.9%

Source: national statistical authority and published on an "as is" basis and without any assurance as to their quality and adherence to EU statistical methodology

\*Data relates to 2021 and smaller number of data relates to 2020

## 2. What do the broader contextual insights from labor market and education data reveal?

- Big majority of indicators on labour market and education/skills are below EU average.
- These indicators are one of reasons for the first statement in the EU Regulation regarding Growth Plan for Western Balkan „**Insufficient socio-economic convergence between the Western Balkans and the EU has been a long-standing issue**“ continuing in „**Economic convergence is at the heart of EU membership benefits.**“
- WBs need skilled workforce, Turkiye needs jobs.
- Everyone needs more women and youth in the labour market.
- Education and long-life skills development, including digital skills, require better connection to labour market needs
- Long-term unemployment is a consequence of the structural disbalances including social benefits system.
- Statistics on labour market and education system initiated key challenges identify by EC (the next slide).

### **3. Identification of obstacles and challenges in the labour market and education system with general conclusions**

The review of the main obstacles identified by beneficiaries in ERPs 2024-2026 against challenges and obstacles assessed by EU based on ERPs 2023-2025 is following in the next slides:

### 3. Key challenges identified by EC based on ERPs 2023-2025

Beneficiary	Key challenge in the reforming labor market
Albania	Increasing funding and capacity for skills and training, social protection, and healthcare to improve employability and social inclusion.
Bosnia and Herzegovina	Increase employment, particularly for young people, women, and people in vulnerable situations.
Kosovo	Encouraging sustainable employment by improving quality education and labour market need.
Montenegro	Increasing employment, particularly of women and young people, and tackling long-term unemployment.
North Macedonia	Improving the quality and relevance of the education system to increase employment and mitigate skills mismatches.
Serbia	Increasing employment, in particular of young people, women and vulnerable groups, and social protection to combat poverty.
Turkiye	Raising the level of skills in order to increase employment, in particular among women and young people.



### 3. Albania- identified main obstacles in the labor market

EC assessment of ERP 2023-2025	ERP 2024-2026
High share of the active population with low educational attainment and low participation in lifelong learning.	Network of providers is not optimized so they can respond to the needs of labor market.
Persistent skill mismatches and quality issues in education and vocational training due to unattractive and irrelevant curricula for students and labor market needs.	Demographic problems and emigration are decreasing number of students
Need to increase funding and capacity for skills, training, social protection, and healthcare to enhance employability and social inclusion.	Skills mismatch due to low quality VET offer which assurance needs to be complemented by inspection and monitoring
Lower investment in education impacts education quality.	Lack of professional development of teachers in VET
Much higher share of early leavers from education and training than the EU average	Non-adequate connection of higher education with labour market
Low-quality university education in Albania, with the University of Tirana falling behind regional peers.	Digital competences, critical thinking, problem solving, management and entrepreneurial skills are not developed enough in education system

### 3. Bosnia and Herzegovina- identified main obstacles in the labor market

#### EC assessment of ERP 2023-2025

High structural unemployment and consistent emigration, indicate weaknesses beyond the shortcomings of the country's education system.

Limited dynamism and a significant gender gap in labor market indicators, with women's activity and employment rates much lower than those for men.

Lack of employment opportunities, particularly for young people, women, and minorities.

Prevalence of informal labor and societal norms hindering the smooth functioning of the labor market.

Low employment rate of recent graduates compared to regional peers and the EU average trapping them in a cycle of unemployment and precariousness.

A paradoxical situation where companies struggle to find needed talent despite high unemployment and inactivity levels.

Worrying brain drain phenomenon as trained and qualified personnel seek better employment and living conditions abroad.

Ongoing reforms of public employment service face challenges due to limited budget and human resources.

Labor market policies like employment mediation, reskilling, upskilling, and employment subsidies face limited funding.

### 3. Kosovo- identified main obstacles in the labor

EC assessment of ERP 2023-2025	ERP 2024-2026
The public sector is the largest employer in the job market	Problem with degree of dexterity and its compatibility with labour market.
Public utilities face over-staffing and poor performance, paying higher salaries than the private sector, leading to an imbalance.	Low integration of young people and vulnerable groups in the labour market.
Concerning situation in the labour market for young people and women.	Difficult transition from school to work.
Despite having the youngest population in Europe, Kosovo struggles to provide quality education and necessary skills.	Mismatch of professional skills in the labour market. Half of firms report that general education does not adequately prepare students for the job.
The lack of skills affects all firms seeking staff but particularly impacts large, dynamic, and innovative firms.	Employers have difficulty finding employees, especially managers, professionals and technicians.
The education system is not aligned with needs of the labor market.	Low quality of school management and budget planning.
Career guidance is insufficient, leading to significant skills shortages.	Need for better cooperation between VET and business, as well as lack of infrastructure and equipment in schools.
Early identification of young talent for relevant education and opportunities is weak.	The gender gap in employment levels
Limited practical skills and work experience opportunities hinder the school-to-work transition.	Insufficient realization of employees' rights .
The lack of financial autonomy for vocational schools with too theoretical curriculum and lack of the practical skills.	Non-effective employment institutions.

### 3. Montenegro- identified main obstacles in the labor market

EC assessment of ERP 2023-2025	ERP 2024-2026
Women's labour market situation is more vulnerable to economic fluctuations, and the pandemic widened the gender gap.	Skills mismatch remains a key obstacle to higher employment.
The highest share of unemployed people is those with a lower level of education.	The quality of higher education did not improve during the period following the pandemic.
High long-term unemployment persists, affecting three-quarters of unemployed individuals.	Students leave secondary vocational schools with a limited skill set.
The public service's capacity for job mediation is weak and lacks continuous monitoring of active labour market policies.	Low productivity- 63% of the productivity that he/she could have reached if provided with complete education and full healthcare.
Weak monitoring hinders the design of quality, targeted, and effective employment activation measures.	The gender gap in employment persists.
Skill mismatches persist especially for vocational education and training or higher education graduates.	Long-term unemployed remain high in total employment.
The transition from education and training to the labour market remains problematic.	

### 3. North Macedonia- identified main obstacles in the labor market

EC assessment of ERP 2023-2025	ERP 2024-2026
Education outcomes inadequately meet labor market needs, leading to prolonged school-to-work transitions, informal economy growth, out-migration, and poverty.	People with low education are more likely to be formally unemployed, being usually employed in the informal sector.
Structural weaknesses in the labor market are particularly affecting women, young people, people with disabilities, and the low-skilled.	Lack of funding and human capacity in reforming education curricula and reducing skills mismatch.
The available jobs need to provide opportunities for higher-educated individuals and prevent brain drain.	Workforce health is concerning. Low life-expectancy compared to EU, aging population and high disability benefits and paid sick-leaves make losses of productivity.
Many young people have jobs that do not align with their education levels or face obstacles in entering the labor market	Coordination between business sector and education is weak.
Strong regional disparities persist.	
Social conventions influence the gender gap.	
Spending on active labor market policies and education is insufficient, and inter-sectoral coordination is lacking	
The education system lacks key competencies and skills necessary for active participation in the labor market.	
Adult participation in learning is low	
Emigration and population aging further erode skilled workforce.	

### 3. Serbia- identified main obstacles in the labor market

EC assessment of ERP 2023-2025	ERP 2024-2026
Labor market faces structural challenges	Persistent need for improvement in the education system to achieve better results and ensure quality education for all students.
Many young people emigrate for better career prospects, compromising economic growth potential.	Despite the demand, public expenditures for education are below the EU average.
School-to-work transitions remain structurally difficult, limiting young people's chances of establishing themselves in the labor market, often leading to temporary or informal employment.	Lack of workers with qualifications such as locksmith-welders, industrial mechanics, and machining operators, tradespeople, cooks, waiters, mechatronics technicians, technicians for computer control of CNC machines, and motor vehicle mechanics.
Insufficient investment in human capital, limited public employment service capacities, and unfinished VET reform contribute to lower employment prospects for the youth.	Low interest of students in science, technology, engineering and mathematics (STEM ).
The female employment rate is significantly lower than the male employment rate.	
Active labor market policies are underfunded.	

### 3. Türkiye- identified main obstacles in the labor market

EC assessment of ERP 2023-2025	ERP 2024-2026
The gender gap in employment remains significant. Insufficient childcare facilities and half-day state school openings contribute to structural weaknesses, such as low labor participation for women with children.	Need for competitive structure of the labour market and its proper functioning
Young people face ongoing difficulties entering the labor market.	Still non-adequate inclusion of the vulnerable segments of the society into the labour market
A significant percentage of young people express a desire to move abroad if given the opportunity.	There are differences between regions in terms of outcomes based on academic performance address the need for ensuring equal opportunity in education.
The informal economy leaves a significant number of workers lacking protection against illness, accidents, and old age. Undeclared work is even more common among refugees.	Outdated curricula that do not provide development of knowledge and skills such as analytical thinking, critical thinking, improved problem solving skills, high self-confidence, responsibility, entrepreneurship, openness to innovations and creativity.
Unemployment rates for tertiary graduates are higher than those with vocational training, particularly affecting women.	The migration movement impact the schools call out redefinition of the role of both decision-makers, teachers and other staff working in schools, and parents.
Insignificant lifelong learning.	Lack of job opportunities
Lack of skills essential for Türkiye's workforce to promote faster technological development, industrial automation, economic decarbonization, and continuous integration into global value chains.	

### 3. Results of PISA tests in 2022

- Results of PISA tests are mandatory element of analysis of obstacles in field of education.
- Results of PISA tests are achievements of 15 year old students from 81 countries.

Scores in mathematics, reading and science in PISA test in 2022. Numbers in brackets are changes in scores compared to 2018.

Beneficiray	Mathematics	Reading	Science
<b>Albania</b>	368 (-69)	358 (-47)	376 (-41)
<b>Kosovo</b>	355 (-11)	342 (-11)	357 (-8)
<b>Montenegro</b>	406 (-24)	405 (-16)	403 (-12)
<b>North Macedonia</b>	389 (-6)	359 (-34)	380 (-33)
<b>Serbia</b>	440 (-8)	440 (1)	447 (8)
<b>Turkiye</b>	453 (0)	456 (-10)	476 (8)

Source: OECD

\*Students from Bosnia and Herzegovina were not tested



### 3. Conclusions based on analyses of the main obstacles from ERPs 2024-2026 (1)

- WB beneficiaries are facing similar challenges: weak transition from education system to labour market, gender gaps, youth unemployment, lack of long-life learning, outdated curricula, non-developed VET, low investments in active labour policies and education, lack of working force and qualified workers, lack of IT specialists, non-developed key competencies, etc.
- Turkiye, besides some similarities with WB, struggles with lack of jobs, high number of immigrants in the labor market and education system, lack of equal opportunities in education, etc.
- Some beneficiaries mentioned more obstacles, some less, but the fact is that most of them are facing regional disparities, non-adjusted school time with work-time, low productivity, health issues of workers, great expenses on sick-leaves, lack of workers and lack of certain worker-profiles at the same time.

### 3. Conclusions based on analyses of the main obstacles from ERPs 2024-2026 (2)

- Beneficiaries mainly make their own assessments of obstacles to development and included growth of the labor market and education systems.
- Only a third (32%) in average of assessed main obstacles in the labor market and education system by EC are considered in the analysis of obstacles in ERPs by beneficiaries which implies:
  - Strong capacities for self-assessment and high level of expertise in ERP teams.
  - Overlooking the obstacles identified by the EC that represent basis for evolving recommendations in Joint Conclusions.
- Although, it sounds affirmative, the analysis of main obstacles means the analysis of the main obstacle, not presentation of achievements which is sometimes the case in ERPs.

## 4. Prioritization of the reforms in the labor market and education system with general conclusions

The review of the **reforms prioritized in ERPs 2024-2026** by the beneficiaries in the areas of labor market and education against **recommendations** from Joint Conclusions (Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkiye) based on EC's assessment of ERPs 2023-2025 is following in the next slides:

## 4. Albania- policy guidance and prioritized reforms

### EU policy guidance for Albanian ERP 2024-2026 in area of labor market and education based on EC assessment of ERP 2023-2025

Encourage **cooperation between innovative businesses research organisations, and academia**, as foreseen in the Strategy on Business and Investment Development 2021-2027, by continuing to increase science and research funding, and by creating the conditions for the development of business incubation programmes.

**Conduct a Youth Guarantee pilot and analyse its performance**, and in parallel review and adjust the functioning and operational structure of the National Agency for Employment and Skills (NAES) to accommodate the service delivery of the Youth Guarantee and develop a set of quality offers.

Use the outputs of the Labour Market Observatory to **improve the labour market relevance of vocational education and training (VET)**, invest in its quality and ensure cooperation with the private sector; focus on building skills of youth and adults, with a particular focus on digital skills to support the expanding communications and technology sector.

### Prioritized reform measures in Albanian ERP 2024-2026 in area of labor market and education

1. Increasing the quality and access to VET
2. Development and empowerment of digital competency of teachers
3. Improving the employability of the most vulnerable unemployed jobseekers

## 4. Bosnia and Herzegovina- policy guidance

EU policy guidance for Bosnia and Herzegovina's ERP 2024-2026 in area of labor market and education based on EC assessment of ERP 2023-2025

Strengthen the coordination mechanisms within the country as regards employment policies and establish an inter-ministerial task force involving relevant ministries, their agencies and stakeholders **to develop and finalise a Youth Guarantee Implementation Plan, adopt it, and initiate its implementation.**

Develop a system **to monitor and forecast the skills needs in the labour market** to facilitate the **alignment of the education and training systems** and of **reskilling and upskilling provision to labour market needs.**

Improve **access to early childhood education and care services towards children/families with vulnerable backgrounds and in rural areas.**

## 4. Kosovo- policy guidance and prioritized reforms

### EU policy guidance for Kosovar ERP 2024-2026 in area of labor market and education based on EC assessment of ERP 2023-2025

Develop a roadmap for the **implementation of key reforms of the education system**, including the recommendations under the ETF Rapid Education Diagnosis.

**Align education, particularly higher education programmes and vocational education and training, with labour market needs** by closely cooperating with the business community, to further develop the employment barometer and skills barometer.

Speed up the ongoing **restructuring of public employment services** and significantly increase their capacity to provide relevant services in particular in view of the implementation of the Youth Guarantee and the delivery of relevant active labour market measures for the unemployed and those at risk of becoming unemployed.

### Prioritized reform measures in Kosovar ERP 2024-2026 in area of labor market and education

Increasing employment level, strengthening employability and workers' rights through the improvement of employment and education policies

## 4. Montenegro- policy guidance and prioritized reforms

### EU policy guidance for Montenegrin ERP 2024-2026 in area of labor market and education based on EC assessment of ERP 2023-2025

**Prepare activities for the implementation of the Youth Guarantee pilot** planned for 2025, analyse its performance, and in parallel identify and implement necessary structural, operational and organisational changes to ensure that the Employment Agency of Montenegro is prepared for the service delivery of the fully-fledged Youth Guarantee as well as its other functions.

Continue efforts to reform the provision of active labour market policy measures with an emphasis on their labour market relevance, including work-based learning, and establish a **continuous monitoring mechanism that will enable evidence-based active labour market policy design.**

### Prioritized reform measures in Montenegrin ERP 2024-2026 in area of labor market and education

1. Introducing the Youth Guarantee Programme in Montenegro reform measure
2. Developing an integrated approach to increasing the quality and inclusivity of education

## 4. North Macedonia- policy guidance and prioritized reforms

### EU policy guidance for North Macedonian ERP 2024-2026 in area of labor market and education based on EC assessment of ERP 2023-2025

Finalise the new Law on vocational education and training (VET), Law on secondary education and the Law on adult education as well as provide a **yearly report for improving higher education**, including recommendations for a new formula for the financing of higher education.

Building on the steps taken, **strengthen access to active labour market policies**, in particular for low-skilled unemployed and people in vulnerable situations.

Continue to **increase the capacity of and cooperation** between the employment agencies and centres for social work as well as education and training institutions to provide integrated services and measures for improvement of inclusion in the labour market.

### Prioritized reform measures in North Macedonian ERP 2024-2026 in area of labor market and education

1. Further development of the qualification system
2. Increasing the flexibility and security of the labour market



## 4. Serbia- policy guidance and prioritized reforms

### EU policy guidance for Serbian ERP 2024-2026 in area of labor market and education based on EC assessment of ERP 2023-2025

Continue **facilitating school-to-work transitions** by stepping up further VET, including dual VET, through revised curricula and the provision of infrastructure, which enables the acquisition of practical skills.

Finalise, in co-operation with all relevant ministries, their agencies and stakeholders, a **Youth Guarantee Implementation Plan, adopt it and initiate its implementation.**

### Prioritized reform measures in Serbian ERP 2024-2026 in area of labor market and education

1. Education for sustainable development and readiness for work
2. Improved conditions for greater share of youth in the Labour market

## 4. Türkiye- policy guidance and prioritized reforms

### EU policy guidance for Turkish ERP 2024-2026 in area of labor market and education based on EC assessment of ERP 2023-2025

Support the **school-to-work transitions** and the **activation of young people** who are not in education, employment or training (NEET) and **incentivise female labour market participation** through legislative and fiscal measures, as well as through strengthened efforts on the provision of **appropriate and affordable childcare infrastructure beyond the big urban centres** of Türkiye.

**Support investments in the care economy in the provinces affected by the Earthquakes** in order to provide victims with health and care services and create employment intensive opportunities, in particular for women.

Continue **increasing the participation of adults in lifelong learning, in particular to reinforce green and digital skills**, in order to ensure just transition

### Prioritized reform measures in Turkish ERP 2024-2026 in area of labor market and education

1. Skill-based updating of curriculum at all levels within the scope of green and digital transformation and developing a system for recognizing previous learning by strengthening vocational training centers
2. Enhancing and improving the employment services in line with the needs of the labour market

## 4. General conclusions based on analyses of the prioritized reforms in ERPs 2024-2026 (1)

- The challenges are consistent across all beneficiaries, and similarly, the EU recommendations to each beneficiary are generally uniform as well:
  - Facilitate the school-to-work transition
  - Foster cooperation between the education system and business
  - Implement the Youth Guarantee Fund
  - Encourage female labor market participation
  - Enhance Vocational Education and Training (VET)
  - Improve public employment services and implement effective active labor policies
  - Monitor the implementation of labor market policies as a foundation for further reforms
  - Develop digital skills and promote lifelong learning
- While the EC assessment highlights obstacles, the Joint Conclusions provide recommendations on how to overcome them.
- A substantial 70% of the total prioritized labor market and education reforms align with EU recommendations. This percentage is anticipated to reach **100%** in accordance with the guidelines outlined in the GN for ERP and the Regulation for the Growth Plan for the Western Balkans.

## 4. General conclusions based on analyses of the prioritized reforms in ERPs 2024-2026 (2)

- The chapter on 'Structural Reforms' forms the foundation of the Reform Agenda, supplemented by associated investments and fortified with implementation conditions and agreed-upon financial support.
- Reform Agenda can be expected to accelerate the transition of the beneficiaries towards sustainable, climate-neutral and climate resilient and inclusive economies by improving regional connectivity, making progress on the twin transition of green and digital, including biodiversity, **and boosting innovation, education and skills and the wider labour market;**
- Labor market reform goes beyond systemic changes in regulations, institutions, or financing; it necessitates a shift in mindset, a change in thinking, and sometimes, adjustments in customs and traditional values.
- Increase of the Western Balkans and Turkiye's level of economic convergence to an in EU average requests, among others, thorough labour market and education reforms.
- „The quality of human capital as a principal component in every growth model has a vital role in providing sustainable and inclusive development“ (ERP 2024-2026)

**THANK YOU FOR YOUR ATTENTION!**