



# **ESPN Thematic Report on integrated support for the long-term unemployed**

## **Former Yugoslav Republic of Macedonia**

**2015**

Maja Gerovska Mitev  
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*Contact:* Valdis ZAGORSKIS

*E-mail:* [Valdis.ZAGORSKIS@ec.europa.eu](mailto:Valdis.ZAGORSKIS@ec.europa.eu)

*European Commission  
B-1049 Brussels*

**EUROPEAN SOCIAL POLICY NETWORK (ESPN)**

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integrated support for the  
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## Summary

Although the Former Yugoslav Republic of Macedonia is facing a prolonged high rate of long-term unemployment, still the country lacks coordinated and integrated support for the long-term unemployed. They are supported through a set of economic and social services, but these are not specifically targeted toward this at-risk group.

Social protection during the period of long-term unemployment is mainly established through the social financial assistance (SFA). The beneficiaries of SFA are also entitled to an additional set of subsidies, such as: an energy subsidy, fee waiver for kindergarten, and conditional cash transfers for secondary school. However, the design of the social financial assistance, which offers a disincentive to entry into the formal labour market, makes the "welfare to work" approach impossible.

It is a condition for accessing SFA that long-term unemployed claimants must participate in activation measures. However, given the profile of social assistance beneficiaries (low educational qualifications, long spells of unemployment), they are not easily "activated". Because the current governmental offer is probably deliberately focused on "easy to reach" categories (i.e. those with at least secondary education and qualifications), the lack of activation measures targeted at the less educated (literacy courses etc.) hampers their labour market participation in the long run. Also, there is a limited offer of active measures for the long-term unemployed, and those measures that do exist are not primarily focused on improving the qualifications of the unemployed, but rather support financial incentives or direct grants and subsidised employment as the main tools for activation. Finally, unemployed SFA beneficiaries, after the activation grant expires, do not have preferential treatment when it comes to placement on the labour market, but are left to compete for jobs with other registered unemployed.

The central government institutions in charge of activation and social support for the long-term unemployed are the Employment Agency (EA) and/or Employment Centres, as well as the Centres of Social Work. These institutions are burdened with a high caseload and an increased amount of administrative work, which hampers both their more in-depth cooperation and more tailor-made social support or an integrated approach towards the long-term unemployed. Social Work Centres do not provide the unemployed SFA beneficiaries with "integration contracts" or "individual action plans". Although it has a legislative obligation to create a joint "individual action plan" with the registered unemployed, because of burdensome administration and lack of sufficient human resources the Employment Agency does not cover all registered unemployed with individual action plans.

There has been no announcement of any changes related to the policy of activation, particularly as it affects the long-term unemployed. New initiatives undertaken at the beginning of 2015 suggest that the focus on subsidised employment, financial grants and social contribution exemptions will continue to dominate the active labour market policy.

The main gaps that need to be addressed by the employment and social services for the purpose of improving and integrating support for the long-term unemployed, include: (i) the small amount of minimum income support (SFA) and its disincentive design; (ii) the lack of targeted and tailor-made social services for the long-term unemployed; (iii) the limited offer for activation (limited quota in the overall activation measures) directed at the long-term unemployed; (iv) the lack of profiling of beneficiaries; and (v) the lack of decentralised decision-making in terms of activation measures and programmes.

## 1 Benefits and services supporting the long-term unemployed

According to the latest Labour Force Survey (State Statistical Office, 2014), the rate of long-term unemployment in the Former Yugoslav Republic of Macedonia is

exceptionally high, standing at 23.9% in 2013. That is more than four times the EU28 average and is much higher than the highest long-term unemployment rate among EU Member States (i.e. Greece, with 18.5% in 2013). Additionally, the share of persons who have been unemployed for a year or more in the total number of unemployed persons registered at the National Employment Agency is equally high, standing at 47.2% in February 2015.

Within the social protection system, there are no targeted benefits or services aimed only at the long-term unemployed. The long-term unemployed can claim benefits and services that are available to all unemployed people, or they can apply for other specific benefits, such as those from the child protection scheme or different family benefits.

### **1.1 In-cash benefits supporting the long-term unemployed**

Considering two indicators – 1) the persistent and high long-term unemployment rate in the country, and 2) the overall low anti-poverty effect of social transfers in the country – it may be concluded that the benefits and services supporting the long-term unemployed are not very effective. Some of the obstacles to achieving greater effectiveness of the benefits and services supporting the long-term unemployed include: the small amount and “disincentive” design of the SFA, the lack of social services targeted directly at the long-term unemployed, and the prevalence of “passive” support within the active labour market programmes. Unemployed persons with a work/contribution record of at least nine months have the right to apply for unemployment benefit (part of the social insurance system). The duration of this benefit is 12 months, after which time unemployed persons can apply for social assistance.

Cash benefits that are available to the long-term unemployed include:

- *Social financial assistance (SFA) (or minimum income)*: this can be claimed by all unemployed individuals who are fit for work and socially not provided for. Only one member of a household can claim. The duration of this benefit is unlimited. However, it is paid at the full rate for only the first three years, after which time it decreases to 50%.
- *Conditional cash transfer (CCT)*: all unemployed who are SFA beneficiaries and have children in secondary education can claim this (provided the children attend school regularly).
- *Subsidy for energy (energy poverty)*: a monthly subsidy, given to all SFA beneficiaries, provided they can supply a receipt for the heating they have paid for.

Income benefits for the (long-term) unemployed, particularly the SFA (or the minimum income), are quite ineffective. This is mainly due to the low amount of the benefit, as well as to the design of the SFA benefit, which creates further disincentives to work. The amount of SFA for a single-person household in 2014 was set at MKD 2,451 (€40) per month, which represented only 9% of the national average disposable income per month (State Statistical Office, 2015). In addition, the design of the SFA implies that any formal earned income reduces the amount of the benefit. According to the World Bank (2013), “there is no financial incentive for a family to earn more income because it will be automatically reduced from the benefit they receive. This design has a 100 percent marginal effective tax rate” (p.41). Also, the same report notes that the design of the SFA creates incentives to look for an informal job because returns from getting a formal job are rather low (p.42).

There are no official data on take-up of social financial assistance according to the profile of the households. A comparison between the numbers of registered unemployed at the Employment Agency (223,598 in February 2015) and social financial assistance beneficiaries (35,000 according to Ministry of Labour and Social Policy (2015a)) indicates that only 15% of the registered unemployed are (potentially) in receipt of social financial assistance. This low take-up may be a result

of the rigorous means-testing procedure, which includes the income of the whole household, as well as other property and assets.

## 1.2 Services supporting the long-term unemployed

Social services that are available to the long-term unemployed include:

- *Free health insurance* – for all unemployed and those on low incomes, contributions towards health insurance are paid through the Ministry of Health (i.e. the central budget);
- *Exemption from paying the costs of public kindergartens* – unemployed people who receive SFA can apply for exemption from the cost of public kindergartens.

Support from civil society organisations in the past decade has contributed to the provision of *non-formal pre-school activities* for children from families with unemployed and low-income parents. The main beneficiaries of these non-formal school activities are children from Roma families.

A recent innovation is the introduction of the *conditional cash transfer programme for the subsidised employment of SFA recipients*. Unemployed people, particularly those aged 19–29 who are SFA beneficiaries and are registered at the Employment Agency will receive a wage subsidy for a six-month period, on condition that the employer keeps the subsidised employees for an additional six months.

Other social services are mainly offered to specific target groups, such as: day-care services for disabled people; support for social housing for children without parents and parental care; shelter services for victims of family violence; etc. There are no particular social services targeted only at the long-term unemployed. Nor are there any publicly available data on take-up and coverage of social services according to the (economic or any other) profile of the beneficiaries.

## 1.3 Activation support

Unemployed people who are SFA beneficiaries are required by law to accept the activation measures offered (training, retraining, as well as public work). Hence, work requirements and activation in a narrow sense are legislated for and enforced because they are part of the programme. Able-bodied recipients of transfers have to prove they are actively seeking a job in order to claim SFA. That can be done through regular registration or re-registration at the Employment Agency (EA), attendance at job interviews, responding to job referrals by the EA, participation in active labour market programmes (ALMPs), and so forth.

Notionally once a month, the EA provides data to Social Work Centres (SWCs) on the job-search history of SFA beneficiaries; however, the regularity of such data exchange may vary by municipality and from case to case. The sanctions for not taking a job are not always strict and are not always enforced. In particular, when an SFA recipient rejects a job offer, he or she loses the right to SFA, but that same right can easily be transferred to other household members. The legislation is somewhat more restrictive when an SFA beneficiary rejects participation in a public work programme (PWP) or seasonal work organised by a municipality or public enterprise (World Bank, 2012).

Tailor-made activation support for the long-term unemployed is provided only through the Employment Agency. Two IPA projects (one finished, one ongoing) entitled Support for the Employment of Young People, Long-term Unemployed and Women (I and II) have been directed towards providing activation support for the long-term unemployed, through training for professional skills demanded in the labour market. However, evaluation of the completed project provided no evidence of increased employability for the long-term unemployed through their greater inclusion in the labour market.

Analysis of the latest operational programme for active measures for employment (Ministry of Labour and Social Policy, 2015b) reveals that in 2015 a total of 47,826 unemployed persons will be covered by the active labour market programmes. Of



those programmes, only 23.5% will be directed towards the long-term unemployed (together with other targeted groups, such as women, young people, etc.; hence the actual number of programmes targeted only at the long-term unemployed will be even lower than that). The types of programmes offered to the long-term unemployed include motivation training, supervision and mentoring for improved access to the labour market, as well as on-the-job training coupled with subsidised employment. Overall, within all the active labour market programmes on offer, it is measures for subsidised employment or direct grants for starting/formalising a business that predominate; in a way, these are forms of passive transfers and do not necessarily increase the employability of the unemployed.

According to the World Bank (2013), most of the existing ALMPs are biased towards the young and well educated, while low education levels and long spells of unemployment characterise the current recipients of SFA. Although it may be a deliberate choice by the government to target those easy to reach, nevertheless the lack of a more concrete offer for those with lower educational qualifications hampers the possibilities for their labour market participation in the long term. Given that workers with low levels of education are under-represented in the ALMPs, it is questionable to what extent ALMPs are able to reach the "activable" SFA recipients. Until recently, explicit targeting of SFA recipients was impossible, mainly because of lack of cooperation between the EA and the SWCs, as well as lack of available data on the percentage of SFA recipients who are also registered as unemployed. However, there have been some improvements in recent years, and the authorities have been explicitly targeting SFA recipients, mainly by adding a few pilot programmes in 2012 (World Bank, 2013: 54).

The same report notes that ALMPs are further constrained by the lengthy spells of unemployment among SFA beneficiaries. It is evident that the existing ALMPs are not well positioned to target able-bodied SFA recipients, who are either unemployed for long periods of time or are out of the labour force. For instance, one of the target groups for start-up business loans are the long-term unemployed. Of the registered unemployed in FYR Macedonia, about 80% have been unemployed for more than one year; about half have been unemployed for more than three years; and 30% have been unemployed for more than eight years. It is, hence, questionable whether a person who has been out of the labour market for eight years and whose skills and knowledge will have degraded is able to start a business. Exceptions are cases where those unemployed are informally employed, but there is a special active programme for the formalisation of businesses (World Bank, 2012).

SFA beneficiaries rarely participate in ALMPs, which makes their activation even more difficult. Interviews with local SWCs have shown that SFA beneficiaries are seldom involved in active programmes and are offered jobs even more rarely. The CCT programme for the subsidised employment of SFA recipients is a significant step towards mitigating this (though it will only cover a small proportion of unemployed SFA beneficiaries). SFA beneficiaries were involved on a larger scale in public work programmes in 2009, when the government introduced public works as part of the ALMPs. However, SFA beneficiaries, after the activation grant expires, do not have preferential treatment in placement on the labour market, but instead are left to compete for jobs with other registered unemployed (World Bank, 2012).

## **2 Coordination between services towards a one-stop shop approach**

The coordination between the Employment Agency and the Employment Centres (delivering activation and unemployment benefit) and the Social Work Centres (delivering social assistance), in FYR Macedonia is mainly focused on data exchange, which has recently been improved through the introduction of joint electronic software for mutual file sharing between the Employment Agency and the Social Work Centres. The coordination with the local authorities (local municipalities) is very limited. Also local Employment Centres do not have the authority to create local action plans for

employment, and are just provided with a quota for activation measures. This situation contributes to a centralised and non-integrated approach between employment and social assistance/service authorities.

The Employment Agency is a public institution (central government body), which is in charge of information services, counselling, professional orientation, unemployment insurance, implementation of active employment programmes and measures, issuing work permits for foreigners, creating analytical, developmental and expert materials related to its scope of work, and providing information about the labour market which is relevant to the general public (Employment Agency, 2014: 2). Constitutive parts of the Employment Agency are its 30 local offices, called Employment Centres. According to the World Bank (2013), EA local offices are understaffed, underfinanced and overburdened by a relatively high caseload (by international standards). For example, the data for 2011 show that there were an average of 617 cases per staff member, rising to 1,131 cases per front-line staff member. The caseload is uneven across the country, with the staff-to-unemployed ratio varying between 250 and 2,101. Also, although 55% of staff are engaged in the delivery of ALMPs, most of their time is spent on administrative work. As a result, little attention is devoted to a client-oriented, individualised approach, especially for disadvantaged job seekers (World Bank, 2013: 47). The Employment Agency also has responsibility for preparing individual action plans for all unemployed; however, the administrative burden means that this does not happen for all registered unemployed. Other issues hampering more effective work of the EA centres include highly centralised budgeting, decision-making and implementation of employment policies and ALMPs; no obligation on the part of EA centres to actively seek vacancies; and no legislative framework for outsourcing professional counselling and placement services. Legislative changes in the Law on Employment and Unemployment Insurance (Official Gazette No. 153/12) have contributed towards the unequal treatment of all registered unemployed. According to these changes, the registered unemployed have the right to declare if they are: a) actively looking for work (in which case they report to the Agency each month), or b) are "other unemployed looking for a job", i.e. passive unemployed (in which case they report to the Agency twice a year). This new type of registration has led to the halving of the actual number of registered unemployed, simply because people (particularly those most vulnerable: illiterate or with low qualifications, those living in remote places, and basically most of the long-term unemployed) elected to register as "other unemployed", simply to avoid reporting to the Agency each month. Those who register as "other unemployed looking for a job" are not in a position to take up active employment measures.

Social Work Centres are the main central government bodies responsible for delivering rights and services stipulated in the social welfare/child welfare/family protection legislation. There are 30 SWCs across the country. Although the SWCs territorially are located at the municipal level, still they represent units of central government. There are professional criteria for social work, and since 2012 social workers must be licensed to practise their profession.

According to the World Bank (2013), the caseload in the SWCs is high. They do not maintain data on all applicants (eligible and ineligible), but only on eligible applicants. Officially, the average number of cases for all types of social assistance was 394 per social worker in 2010. In reality, the number of active cases per social worker is higher, because social workers in most cases work in parallel on the administration of social benefits and on the provision of social protection services, such as counselling (World Bank, 2013: 50). Social Work Centres do not have either responsibility for or experience in creating individual action plans or integration contracts with their clients. Overall, tailored support through the SWCs is very limited due to the administrative burden.

There is minimal cooperation between the institutional bodies that are in charge of social assistance and activation policies. The interaction between the employment services and social assistance has been limited to file sharing: the EA is notionally obliged to send data on the registered unemployed once a month to the SWCs. In

reality, however, this data exchange occurs much less frequently, especially in the provincial offices. The situation has changed recently, as more intensive data exchange has been introduced between the databases of the two agencies. Again, this situation varies across the country, and cooperation seems to be better where local offices are located in the same or nearby premises. Apart from data-sharing possibilities, cooperation between the EA offices and the SWCs has been hampered by the high caseload in many SWCs, which leaves little room for casework that goes beyond the required minimum effort for verification of eligibility and benefit determination (World Bank, 2013: 49).

### **3 Individualised approaches**

Individual support tailored to the needs of the long-term unemployed is not explicitly provided, either through the Employment Centres or through the SWCs. Although the Employment Agency is required to prepare individual actions plans, experience suggests that, due to the administrative burden, this is not offered to all registered unemployed. Hence, the main reasons for the lack of individual and tailor-made support for the unemployed are the administrative burden on, and the caseload of, employees, as well as a lack of legislative authority for SWCs to undertake such individual support (i.e. integration contracts).

The profile of Social Assistance (SA, i.e. SFA plus permanent financial assistance and targeted disability benefits) beneficiaries indicates that they are more likely to be out of work or to have low-quality jobs. They are also less well educated, with a larger share of young early-school leavers, and face additional participation constraints, such as higher duties as home carers.

Targeted activation support for SFA beneficiaries (given through EA offices) in 2015 includes: a) mentoring and coaching for better awareness/take-up of ALMP possibilities; b) a CCT programme for subsidised employment; c) on-the-job training; d) training coupled with subsidised employment; e) traineeships and training; and f) public works.

Efforts directed at the early stages of unemployment offer more possibilities for participation in activation measures. As unemployment becomes longer, there are fewer possibilities to participate in ALMPs.

As was indicated above, there is no "integration contract" or individual "action plan" tied to job-search requirements offered/provided by the Social Work Centres.

#### 4 Overview table

		Please put an X in the column that best represents the situation in your country			Please summarise in a few words and in order of priority the 3 key gaps that need to be addressed to improve effectiveness (if only one gap just complete one column)		
		Very good	Medium	Weak	Gap 1	Gap 2	Gap 3
<b>Effectiveness of benefits &amp; services supporting the long-term unemployed</b>	<b>Income benefits</b>			X	Low amount and "disincentive" design of the social financial assistance.		
	<b>Social services</b>			X	Employment agencies and social assistance centres overstretched and unable to cope with a large number of unemployed people, let alone the long-term unemployed.	Lack of social services targeted directly at the long-term unemployed.	
	<b>Activation services</b>			X	Prevalence of "passive" support over the active labour market programmes.	Lack of decentralised creation of local action plans, as well as lack of decentralised discretion of Employment Centres in creating and profiling of active employment measures.	
<b>Effectiveness of coordination between employment, social assistance and social services</b>			X		Administrative burdens and caseload of the employees.		
<b>Extent of individualised support</b>				X	Administrative burdens and caseload of the employees.		

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