

7. SOCIAL POLICY

7.1. Planned and implemented activities of the Government of the Republic of Macedonia in the reporting period

7.1.1. Labor market, employment policy, and social dialogue

One of the more important reform projects of the Government of the Republic of Macedonia in the reporting period were the amendments made to the Law on salary payment in the Republic of Macedonia enacted in December 2008. The amendments introduced the system of payment of gross salaries pursuant to the model of payment of salaries as applied in most countries in the world.

The same importance was also seen in the amendments made to the Law on contributions from compulsory social insurance enacted in May 2009. These measures and amendments let all citizens get their health care insurance directly from the Fund for Health Care Insurance of the Republic of Macedonia. This allows more room in the work of the Employment Agency of the Republic of Macedonia to focus more on the active employment measures for unemployed persons actively seeking job, thus excluding those unemployed persons who register themselves at the Agency only to be covered by state health care insurance and not ultimately to find any job.

In order to provide for more effective mechanisms to address the issue of illegal and undeclared workers, the December 2008 amendments to the Law on employment and insurance in case of unemployment introduced obligation for the unemployed person to deliver a written notice to the competent state inspection authority if such person is hired by the employer without any written service contract.

In early 2009, amendments were made to the Law on employment and work of foreigners. The aim of these amendments was to speed up the procedure for issuance of corresponding types of work permits for foreigners and increasing the validity period of certain work permits, as well as to cut the deadlines that certain state institutions use in the decision-making process of such permits. The approach by the Government of the Republic of Macedonia, in implementing active programs and measures for employment that was launched in 2007 by adopting the first annual Operative plan (OP) for active employment programs and measures, continued also in 2008 and 2009. This was done by adopting and implementing OP for these two years. The 2008 OP programs and measures involved 6,882 job seekers. To this end 276 million MKD were spent. Of them, 82 million MKD came from the national budget. In January 2009, the Government of the Republic of Macedonia adopted the 2009 OP. The 2009 OP included inter alia also 3 new programs by expanding the target groups together with the most vulnerable groups in the labor market: young people under 27 years; persons who are chronically unemployed for a longer period of time; parentless children; disabled persons; single parents; single parents with 3 and more children; young single parents under 27 years; couples with 3 and more children; parents with disabled children; senior unemployed persons (55-64 years); unemployed persons who lost their job due to company bankruptcy or liquidation,

and redundancy; victims of domestic violence; and Roma. The first 2009 national budget revision earmarked additional 150 million MKD for the introduction of the Program for organizing public works, as one of the measures by the Government of the Republic of Macedonia to mitigate the dire effects of the economic crisis. This measure started to be implemented in July 2009, whereby monthly engagement was made of about 4,800 beneficiaries to perform public works. The Project for self-employment by loans has been part of the active programs and measures for employment financed by the National budget. This project helped in 2008 1,984 unemployed persons legalize their informal or undeclared business or start a new one. 386 million MKD were spent to this end. This project continued to be implemented in 2009 as well, with planned 2,000 new jobs. On 30 January 2009, the Government adopted the 2009-2010 National action plan for employment (NAPE). This plan contains the expected goals and scheduled activities that have positive impact on employment, such as: creation of a more competitive business environment and stimulation of the private initiative; promotion of a better entrepreneur climate and creation of favorable environment for SMEs; implementation of employment policies; promotion of access to new jobs; active and preventive measures in the labor market; better connection of the needs of the labor market; etc. The reporting period marked the completion (in April 2009) of the third stage of the EU-funded project 'Technical assistance for supporting the employment policy'. As part of that project, realization was made of trainings and other activities for administration capacity-building for effective planning, implementation monitoring, and evaluation of the employment policies; a 'model of services' (manual) was prepared that describes the individual services that the employment departments at the Employment Agency should offer to their clients: the employers and the job seekers; trainings were carried out on how to prepare local employment action plans; introduction was made of the ISC088 system for job classification; cooperation was enhanced between the government institutions and organizations of social partners (labor unions and associations of employers) through bilateral meetings and attending joint trainings and through active involvement of the social partners in drafting the 2009-2010 NAPE; the Strategy for raising the awareness about the new employment policy measures was drafted and implemented. The December 2008 amendments to the Law on labor relations established institutional and procedural framework for solving misdemeanors in the labor field. Pursuant to the new law provisions and solutions, the Misdemeanor commission and the Commission for mediation in labor misdemeanors were formed and started to operate; likewise, a Misdemeanor commission and Commission for mediation in misdemeanors relating to safety at work and healthy working conditions also began to operate in order to help implement the provisions of the Law on safety at work and healthy working conditions, adopted in 2007.

In accordance with the provisions of the 2007 Law on safety at work and healthy working conditions, the Council for safety at work and healthy working conditions was established and started to work, after some delay, as government advisory expert body for issues relating to safety at work and healthy working conditions. In accordance with the said Law, 6 bylaws were adopted in the reporting period for the sake of domestic laws harmonization with the EU Directives. Pursuant to the previous of the Law on peaceful settlement of labor disputes, in 2009 the Council for peaceful settlement of labor disputes was formed as government body that deals with peaceful settlement of collective and

individual labor disputes, with appointment and professional training of labor mediators and labor arbitrators, etc. The August 2009 amendments to the Law on employment of disabled persons were made in order to introduce greater protection of the labor rights of disabled persons working in private, government-subsidized companies for employment of disabled persons, enhance the level of control mechanisms in the supervision of the restricted spending of funds from the Special fund for improvement of the employment and working conditions for disabled persons, and increase the level of the fine in case of violation of the corresponding law provisions.

Another relevant legislation novelty in the reporting period was making amendments to the Law on labor relations enacted in September 2009, with provisions on 'Psychological harassment at the working place (a.k.a. mobbing)'. All these provisions forbid any type of psychological harassment at the working place and also provide for the protection and conditions of the working place for the person that initiated proceedings to protect himself from psychological bullying at the working place, as well as for the person who serves as witness in such proceedings.

In order to promote the social dialogue, in March 2009 agreement was reached to establish a Joint consultative committee for the Republic of Macedonia with the European Economic and Social Council; this agreement involved the Federation of Trade Unions of Macedonia, the Confederation of Free Trade Unions, the Confederation of Trade Union Organizations of Macedonia, MOST, and the Macedonian Center for International Cooperation. Upon consultation with the social partners, draft amendments were proposed for the Law on labor relations; these amendments will settle the issues of representativeness of the trade unions and the employers' associations, by means of establishing objective criteria for representativeness and procedure for its determination.

7.1.2. Pension and disability insurance

The reporting period was marked by numerous activities related to implementation of the reforms in the pension system by the introduction and promotion of the capital financed pension insurance.

Thus, April 2009 was marked by making amendments to the Law on mandatory fully funded pension insurance; these amendments increased the percentage of money that pension funds may invest abroad from 20% to 30%; then the amendments provided greater opportunities for investing the funds in shares, documents of holding stakes, and other securities that are issued by foreign companies and banks; diversification of funds when investing them and greater choice of companies in investment of funds from the mandatory pension funds by the companies; the role of the guardian of the assets was transferred to the commercial banks; etc.

This period also saw the continuation of the activities to form the Third Pillar of the pension system. In order to promote the voluntarily fully funded pension insurance, i.e., the so-called Third Pillar, and inform the general public on this, several educational and informational activities were conducted in the reporting period. The first two voluntary pension insurance funds started to operate in this period: the first license was issued in May 2009, and the second license in August 2009 for management of voluntary pension funds and provisional permit for management of voluntary pensions fund. The Law on contributions from mandatory social insurance (pension and disability insurance,

health care insurance, and unemployment insurance) was enacted in October 2008. This Law defined new social contribution rates, with tendency to decrease in 2009, 2010, and 2011; this in turn set the basis for integrated collection of all three contributions from the mandatory social insurance. Hence, as of January 2009, the PRO will be the only institution to collect the social contributions. The year 2009 also noted the important novelty of reducing the rate of the contribution for the pension and disability insurance from 21.2% to 19%. The amendments to the Law on pension and disability insurance of November 2008 regulated setting aside money for the Solidarity Fund of the pensioners which is accumulated from the contribution paid by pensioners; it was also regulated that the Fund for Pension and Disability Insurance of the Republic of Macedonia should service the payment of funeral allowance, with full participation of the associations of pensioners in the process of disposal and management of the funds as contributors to the Solidarity Fund; the intention was to provide proper and efficient servicing of this Solidarity Fund and also provide equal treatment of all pensioners.

Finally, the latest amendments to the Law on pension and disability insurance coming into force on 1 January 2009, harmonized this Law with the existing Law on contributions from the mandatory social insurance. This harmonization abolished the possibility that a pensioner could be again employed and still receive certain part of his pension, with payment of pension and disability insurance contributions on higher basis than that of other employees.

7.1.3. Social protection and social inclusion

One of the most important changes in the social protection legislation was the adoption of the new and reformed Law on social protection in June 2009. This offered new statutory solution for furthering the social protection policy. The new Law on social protection has introduced for the first time the statutory solution for transition from passive use of the social assistance towards activation of the beneficiaries of social assistance through their engagement in public works, performance of seasonal jobs, and other temporary work. In this context, their right to social assistance is not suspended depending on the period of such working engagement,

As part of the social protection reforms in the reporting period, the SPIL Project (Social Protection Implementation Loan) continued to be implemented which is financed by a WB loan and corresponding budgetary funds by the Republic of Macedonia. This project included also activities to establish integrated information system for administering the social benefits and for financing operations of the centers for social work (CSW) and the Ministry of Labor and Social Policy (MLSP); to this end the required hardware equipment was bought, while the software application remains to be prepared in the forthcoming period.

One of the more relevant novelties in the field of social protection concerning cash aid is the Project on conditional cash transfers. In order to implement that project, in September 2009 the Government of the Republic of Macedonia adopted the Program on conditional social protection cash benefits. This would provide cash benefits to pupils who have enrolled and do attend regularly secondary school on full-time basis. The program has the goal to increase the number of persons attending secondary schools. This benefit is intended for pupils coming from households that are entitled to receive cash

welfare, or such right is temporarily deferred while being engaged in public works. The funds for the project implementation have been received through a WB loan in the amount of US\$ 25 million for the September 2009 – March 2014 period. Pursuant to the priority goals defined in the National strategy on deinstitutionalization of the social protection system for the 2008 – 2018 period, in the reporting period the process of deinstitutionalization was implemented in order to enable faster integration and resocialization of mentally handicapped persons. 22 persons with medium and severe mental handicap were accommodated in 7 housing units in Kisela Voda, Lisice, Negotino, and Demir Kapija. In that period a small group home was opened for children without parents and parental care in Berovo. In this context, there was also increase in the number of day care center for deinstitutionalization social protection. In addition to this, the Government continued the implementation and expansion of the Project ‘Soup Kitchens’ in order to provide warm meals for the needy persons. Thus in the analyzed period 4 new soup kitchens were opened in these municipalities: Centar, Caska, Debar, and Zletovo. This raised the overall number of beneficiaries to 3,479 served in 35 nationwide soup kitchens. The reporting period noted the following more important activities related to social inclusion. Action plan was adopted on preventing and addressing the issue of sexual abuse of children and pedophilia for the 2009-2012 period and National coordination body was established to monitor the implementation of the plan. A National coordination body to monitor the implementation of the National strategy on protection of victims from domestic violence for the 2008-2011 period, was formed; there was implementation of a multi-sector training on working with victims of domestic violence involving 20 professionals from different fields (social services, health care, police, NGOs) in order to have concerted action in concrete cases of family violence; Action plan was adopted to implement projects on construction of access ramps for disabled person in public buildings and institutions. For the purpose of providing equal opportunities, the following important programs/projects took place: Program on ‘gender-sensitive budgeting’, the Program ‘Support to commissions on equal opportunities for women and men in units of local self-government’, the Project ‘Training of lawyers and staff member of the Ombudsman’s Office on the UN Convention on elimination of all forms of discrimination of women and its facultative protocol’, and the Project ‘Preparation of analysis of relevant laws and civil diaries to overcome the unequal treatment and accession of Roma, especially Roma women, to state institutions.’

The reporting period noted also the implementation of activities, measures, and policies that are connected with the National strategy on demographic growth; the aim of this strategy is to slow down the rate of population reduction and creating conditions for sustainable demographic growth, reduction of regional demographic disparities, support to family and family values, and increase in the life quality of the population. In context of social protection, the strategy provides implementation of several activities, measures, and policies. Those measures that were put in operation by the amendments to the Law on childcare as of 1 January 2009, can be singled out as more important in the analyzed period. They relate to improving the system of financial support by one-off allowance for every newborn baby with elimination of the income census in enjoying this right and introduction of a new right in the field of childcare – parent allowance for having child (for 2nd, 3rd, and 4th child), and provision of a minimal pension for those women which

gave birth and brought up 4 or more children provided such women are not entitled to regular pension.

7.2. What remains to be implemented (not yet implemented or not yet finished) in the analyzed period

Comparing planned and implemented activities in the analyzed period point out that the following planned activities were not carried out in that period:

- Implementing the Program on harmonization of domestic labor legislation with the EU legislation,
- Adoption of a Law on labor inspection so that it would be harmonized with the Law on misdemeanors, with the ILO (International Labor Organization) standards, and the EU Conventions;
- Preparation of a software application for social benefits (in progress),
- Making shorter procedure for child adoption and introducing a new model for most suitable child adopter – electronic selection of adopter,
- Adoption of a Law on social housing (drafting of the law is in progress),
- Adoption of a National program for development of social protection and National strategy for combating poverty and social inclusion in the Republic of Macedonia (drafting in progress),
- Adoption of multidisciplinary protocols to deal with street children (in progress),
- Amendments to the Law on employment and work of foreigners, which will reduce required documentation for obtaining personal work permit for self-employment of foreigners, as well as to the procedures to enact a new ‘Rules on procedure of registration and termination of jobs done by foreigners’ and ‘Rules on procedures of issuance of work permits and form and contents of special types of work permits’,
- Adoption of a Law on antidiscrimination (in progress in the Parliament),
- Ratification of the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse;
- Implementation of reforms in accordance with international instruments, such as the UNICEF Convention on the Rights of the child.

7.3. Evaluation of potential risks from (non)implementation or from (non)quality implementation of activities

The insufficient administrative capacity and limitation of the financial resources still remain to be the major risks that hinder or rather delay the implementation of the activities and policies in the field of social protection or even exert influence on the quality of their implementation as such. Indeed, the present economic crisis means significant risk or challenge in the implementation in most of the foreseen activities.

7.4. Overall evaluation by the expert on implemented activities for the reporting period, with possible recommendations

7.4.1. Labor market, employment policies, and social dialogue

It is to be noted that in the reporting period the Government of the Republic of Macedonia conducted many activities and measures and made important progress in the promotion of policies on labor market and labor relations, employment and social dialogue which come out of its Employment Program. The actual situation show improvement of the results in this field, and that they have not been fully implemented in accordance with the schedule.

The state policy on reduction of social security contributions in the 2009-2011 period is one of the major policies that serve to improve the situation in the labor market. If, let us say, the difference from reduction of the contributions goes ultimately to the employer, then this in turn would produce an effect in fall of the labor price; so this would produce employment rate reduction and transfer of the workers from the informal to the formal employment sector. If, by any chance whatsoever, the employer decides that this difference should go in the pocket of the workers (which rarely does happen), then the contribution reduction would effectuate better workers' standard.

The most serious problem that the Macedonian Government had to cope with in the reporting period was the high unemployment rate. In spite of the Government program commitments for major increased support to the active employment policies and measures, nevertheless bare figures do show that the Macedonian government still is not able to successfully deal with the high unemployment rate, which is about 32% of the able population. Indeed such circumstances show that the scope and level of active measures and programs that have been implemented in the last period in context of continuing increase in the number of beneficiaries of such measures and programs, as well the higher financial resources at annual level, have failed to produce major impact in mitigation of the high unemployment rate. The present crisis certainly also contributes to such state of affairs, because in recession period it is not realistically to expect higher employment rate in the economic sector.

7.4.2. Pension and disability insurance

In the reporting period, realization was made of many activities towards completion of the reforms in the pensions system in the segment relating to the introduction of the voluntary fully funded pension insurance. The positive outcome for the reforms will influence both the individual and the state. The new system will contribute to increasing the income of the citizens on one hand and providing long-term solvency of the pension system, reduction of public expenditure in the segment of the pension system, growth of the financial market and the strengthening the investment capacity on the other hand; this together will result in economic growth.

Nevertheless, it would be premature in this period to expect positive results from pension reform implementation. Indeed the delay in implementation of such reforms has additionally contributed to postponement of the time period when the outcome of such reforms would be visible.

7.4.3. Social protection and social inclusion

In the field of social protection and social inclusion in the reporting period, the Government of the Republic of Macedonia has implemented most of the activities that have been planned in its relevant Program. Nevertheless greater portions of such activities do relate to the adoption strategic documents (i.e., strategies, action plans, programs) and amendments to or even adoption of completely new statutory solutions In the corresponding field, while on the other hand the operative activities, planned in the strategic documents and policies, have not attained the foreseen intensity; delay has also been noted in the adoption of certain law provisions, bylaws and even strategic documents.

The deinstitutionalization process has taken a rather slow pace; in the social inclusion context, the Government has been working on drafting and adoption of many strategic documents and concrete activities for their realization.

The problems relating to the capacity of the state administration and limitations of the financial resources, as well as the insufficient coordination among various institutions, do indicate that they will continue to be the main challenge for the Government of the Republic of Macedonia.

The present situation in the field of social protection and social inclusion shows that, in spite of the efforts made by the Government of the Republic of Macedonia in this context, there remain still many challenges and problems that ought to be solved in the period to come. Public works should be connected to acquiring certain skills that will make the recipients of social benefits more attractive in the labor market. It is needed for the private sector to become increasingly involved in the programs for productive engagement of recipients of social benefits. There is also need to have higher involvement of professionals from the centers for social work and of all other concerned parties in the entire process of creating policies and in assessment of the produced results. There is also need to have software link among such centers to exchange data and information concerning social protection, employment, social security and insurance, and to have also inter-sector connection among the competent ministries for the sake of more efficient implementation of the social policy. Finally, it is necessary to secure also proper level and volume of the capacity of the administration to solve the accumulated problems in this field.