



# COUNTRY BRIEF



## Implementation of the Guaranteed Minimum Income (GMI) scheme in Macedonia, through Integrated Case Management (ICM)

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### 1. Overview of policy context

Macedonia has a comprehensive social security system composed of contributory benefits, passive and active labor-market programs, and social assistance programs. The social assistance system is regulated by two key laws: the Social Protection Law (Official Gazette of RM, 30/16) and the Child Protection Law (Official Gazette of RM, 27/16). The two laws stipulate the programs of social assistance which guarantee minimum resources the government provides to subgroups of the population. Presently, there are 18 separate social assistance benefits in Macedonia, out of which 13 are considered social protection benefits and 5 child protection benefits.

The main program is the social financial assistance (SFA), while the other programs include permanent social assistance (for those that are permanently unable to work, such as disabled, elderly), cash assistance for orphans, child allowances, benefits for care givers, one-time cash benefits (exceptional payments), salary supplements for family members who face reduced work opportunities because of responsibilities to care for children with disabilities, housing, health insurance benefits, and so on. From time to time, the number of benefits is further expanded, so that its number keeps increasing. Finance Think provides an overview of the levels of the benefits and their associated calculations<sup>1</sup>, while a neat detailed overview of the SFA itself may be found in Gerovska-Mitev (2015).

About €95 million have been spent on social assistance programs in 2016, covering 34,800 households and 75,800 individuals. The cost represents almost 1% of GDP. 17.3% of the total cost is spent on the main program, the SFA, despite the benefit for the third child being paid out in a period of 10 years is, actually, the most expensive program, consuming 37.8% of the total social assistance cost.

<sup>1</sup> <http://www.financethink.mk/models/social-system-of-macedonia/>

Designed this way, the social assistance system of Macedonia faces several challenges. First, being composed of 18 different programs, it is considerably fragmented. Second, the spending on social assistance is low, failing to draw recipients out of relative poverty and sometimes even from absolute poverty. Third, the activation components of the key programs is compromised. For instance, the World Bank (2013) claimed that the legal and policy environment did not provide strong support for labor-market activation of SFA beneficiaries, despite the declining SFA benefit over time and the legal pledge of keeping the SFA entitlement while the beneficiary is engaged in a public work program (Petreski and Mojsoska-Blazevski, 2017).

Given this backdrop, the Government of Macedonia announced its intent to introduce a Guaranteed Minimum Income (GMI) scheme, starting potentially September 2018. While showing high awareness of the drawbacks of the current system, the Government has not yet set any specific design of the GMI. To fill this gap, Petreski and Mojsoska-Blazevski (2017) proposed three alternative GMI schemes. The first two are based on equivalence scales: the one on the 'old Oxford' scale whereby the head receives one point, the next adult 0.7 while each child 0.5, and the sum is then multiplied by 4.000 MKD. In the second, the square root of the number of household members is multiplied by the 35<sup>th</sup> percentile of the relative poverty line, presently being 4.830 MKD. In both cases, a standard four-member family would obtain 10.800 MKD and 9.660 MKD, respectively, which is below the current minimum wage of 12.000 MKD. For any market income received up to the limits determined by the family structure, families get the difference. The third scheme is based on the 'in-work benefit' principle: families receive 50-70% of their market income if it is below 9.000 MKD, while the difference if the market-earned income ranges between 9.000 MKD and 15.300 MKD. For families with no income, a replica of the current social assistance is provided, so that these are dragged out of absolute but not relative poverty.

By relying on behavioral tax and benefit microsimulation model MK-MOD and MK-Labour, they simulated the effects of the three schemes for living standards, labor supply and the budgetary cost. All three schemes in their paper were set to produce favorable results; however, the schemes based on equivalence scales were found to produce slightly better living-standard outcomes, while the third scheme – better labor-market outcomes, through its embedded activation component. The budgetary cost for each scheme was estimated at about €250 million, i.e. 2.5 times the current-system cost.

The objective of this brief is to disentangle the introduction of the Guaranteed Minimum Income (GMI) in Macedonia through the Integrated Case Management (IGM) process.

## **2. Key living standard indicators**

The poverty rate in Macedonia has been constantly declining in the last decade: from 27% in 2010 to 21.8% in 2016. About 450 thousand people live below the relative poverty line being defined as 60% of the equivalent median income. Over the same period, absolute poverty – the share of people living below \$1.9 PPP a day halved, from 9.7% to 5%. Poverty is most pronounced for youth (<17) and least for pensioners, while being fairly equally distributed between men and women. Observed through family structure, households composed of two parents and three and more children are most exposed to poverty risk, as 50.6% of them live below the poverty line, followed by lone parents with children (37.5%). Expectedly, the unemployed face the highest poverty risk (41.1%), while the working poor has a poverty risk of 9%.

The contribution of the social assistance benefits in the reduction of poverty has been increasing but only modestly, from 3.3 p.p. in 2010 to 3.9 p.p. in 2016. The slightly increasing trend of this contribution has been led by the several ad-hoc increases in the amount of social assistance over the period, but the apparently small increase could be ascribed to the generally low level of the social assistance described above, as well as deficiencies in the targeting of part of the programs.

Similarly, income inequality, as measured by the Gini index, recorded significant declines, from 40.9% to 33.6% over the same period. It is likely that a small portion of the decline could be explained by the increasing social assistance spending. However, other factors with potential explanatory power over declining poverty and inequality include rising pensions, increases in employment, as well as potentially other programs with a social component like agricultural subsidies. Namely, over the observed period, the average wage increased by over 35%, while the employment rate improved from 38.7% to 43.1%. The average annual growth rate of the economy over the same period was 2.5%.

### **3. Mandates in the sector**

The social assistance system in Macedonia belongs to the jurisdiction of the Ministry of Labor and Social Policy (MLSP). It possesses a network of 16 Inter-municipal Centers for Social Work (CSW) dispersed with 29 offices throughout the country<sup>2</sup>. Through this setup of the Ministry, it is responsible for administering the social assistance benefits. As explained in Section 1, the system is composed of 18 different social assistance programs, hence being considerably fragmented, in terms of eligibility overlaps and the possibility of the same families being assessed by two or more social workers. Through the current organizational structure of MLSP and CSW, the latter employ social workers who are responsible for particular programs/benefits. For example, one social worker is responsible for the administration of SFA, another one for the permanent financial assistance, a third one for the child benefit, and so on. There are potentially two important challenges in the current way of organization of the administering of the system: i) the system being fragmented in terms of the number of benefits and the persons administering it, prevents that different social workers understand the social needs of the family/household as a whole and potentially approach in dragging it out of poverty and social inclusion in a comprehensive and inclusive way; and ii) the social workers being responsible for the technical administering of the claims for social benefits, i.e. acting as 'over-the-counter' tellers in the CSWs, weakens their effort and constrains the time devoted to field work with the cases, which is indispensable for the beneficiaries' labor-market and societal integration. The latter is further highlighted when social workers need to cooperate with their counterparts in the Employment Service Agency (ESA, and the respective Employment Centers (EC) throughout the country), as well as with other institutions, like the ones related to VET and the stakeholders from the business community, so as to facilitate the integration of social assistance beneficiaries.

On the other hand, at least MLSP and the ESA (and, accordingly CSWs and ECs) share the same clients, to an extent. In a majority of municipalities, CSWs and ECs are physically situated together, in one single building. However, lack of formal procedures, standards and manuals for mutual cooperation, prevents them collaborating to promote the labor-market integration of social assistance

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<sup>2</sup> Some jurisdiction in the social domain is provided for the local self-governments, pertinent to their budgets (Social Protection Law, art. 12). Municipalities and the City of Skopje are responsible for the conduct of the social protection. They may adopt additional social rights, to increase the scope and form of the existing rights stipulated in the Law. However, to our knowledge, this opportunity is rarely used, probably with the exception of one-time aid to households in severe danger or with severe losses.

beneficiaries. Social workers and employment officers are rarely oriented to work together for single cases, hence also lack understanding of their daily work and responsibilities. The lack of cooperation further extends to the other key stakeholders in the process, like the VET secondary schools and the business sector. CSWs, ECs, VET institutions and the business sector work like silos.

This setup of the system is likely failing in its efficiency in the service delivery and effectiveness in producing favorable labor-market and societal outcomes. The next Section, hence, proposes an innovative way to process the disbursement and administration of the guaranteed minimum income scheme, through introducing Integrated Case Management (ICM), hence improving the work of the CSWs overall.

#### **4. Directions/policies for development, innovation**

The aim of introducing ICM is to improve the efficiency and effectiveness of the social assistance delivery process. A collective and thus integrated case management system is the one that makes best use of all available resources in helping the client during the entire integration and inclusion process (Scopetta et al. 2017). The key innovation capacity of the ICM consists of: i) close collaboration within the institution (MLSP, CSWs); ii) providing for coordination and cooperation with the other stakeholders (ESA, VET schools and so on); and iii) ICM secures not only administrative guidance of the beneficiaries, but strictly cares for helping out in overcoming labor-market and social exclusion.

Therefore, in the particular case of the GMI, the introduction of the ICM would benefit the entire social system twofold:

- It will elevate the work of the social workers as, so called case workers, in two dimensions: i) case workers will no longer be responsible for a specific program (as such would no longer exist with the introduction of GMI), but are responsible for the family/household as a unit of analysis and unit eligible to claim GMI; and ii) case workers abandon the daily administration (front office) work (e.g. receipt of documents) and focus on the labor-market and social needs of the GMI-recipient family. The latter would further imply that case workers focus on field work with the recipient families, so as to succinctly assess their needs, possibilities and obstacles to labor-market and societal integration;
- It will provide the necessary enabling environment for closer and more coordinated cooperation of the case workers with the employment officers in the Employment Centers and the related officials in the other stakeholders.

The following table offers further details of the proposed ICM in the case of GMI

**Table 1** - Integrated case management implementation process in practice: The case of GMI

	Restructuring service delivery within MLSP	Coordination with	
		Employment Agency (ESA)	Service Other stakeholders
<b>Objectives</b>	<ul style="list-style-type: none"> <li>- To raise efficiency of services delivery and administration;</li> <li>- To improve collaboration with the beneficiaries (cases-clients/families) ;</li> <li>- To increase information for the status and progress of the beneficiaries;</li> <li>- To improve effectiveness of the social assistance services for long-term self-sustainability of beneficiaries;</li> </ul>	<ul style="list-style-type: none"> <li>- To improve collaboration with the beneficiaries and case workers;</li> <li>- To increase employment of GMI beneficiaries;</li> <li>- To raise efficiency and effectiveness of active labour market measures;</li> </ul>	<ul style="list-style-type: none"> <li>- To increase work integration through reducing the skills mismatch between demand and supply;</li> <li>- To increase societal integration through improving the accessibility to and quality of social services such as: day care centres and clubs (for elderly, disabled, street children, etc.), centres for homeless people, centres for victims of family violence, etc.</li> <li>- To improve matching between supply and demand for the most vulnerable people;</li> <li>- To improve collaboration between CSWs, ECs, VET institutes and the business sector;</li> </ul>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Core tools and activities</b></p>	<p><b>Case workers system focused on administering GMI</b></p> <ul style="list-style-type: none"> <li>- The GMI (one per case) will be administered by an administrative (front-desk) officer;</li> <li>- Beneficiaries will be divided by case workers (one family collaborates with one case worker);</li> <li>- Guiding, advising and approving/rejecting GMI to cases-front officer responsibility;</li> <li>- Controlling for accepting/rejecting offerings (re-qualification, community work, job);</li> <li>- Updating information in the unique client system-front officer responsibility.</li> </ul> <p><b>Unique client system – focused on data collection</b></p> <ul style="list-style-type: none"> <li>- Detailed information for cases;</li> <li>- Individual social and integration plans;</li> <li>- Individual employment plans, where possible.</li> </ul> <p><b>Social mentoring – focused on family integration and inclusion</b></p> <ul style="list-style-type: none"> <li>- Case workers prepare individual plans for social inclusion and integration of GMI beneficiaries;</li> <li>- Close collaboration between the case worker and employment officer from ESA (preparing lists for employable members of the case family, sending to ESA monthly);</li> <li>- Close oversight by the case worker of the need for accompanying GMI disbursement with particular social service and communication with the social-service provider.</li> </ul>	<ul style="list-style-type: none"> <li>- Preparing Individual employment plans for employable members of the beneficiary families (cases);</li> <li>- Preparing lists of active labour market measures</li> <li>- Informing employable family members for open and adequate job positions</li> <li>- Matching employable beneficiaries with companies;</li> <li>- Informing case workers for accepting/rejecting jobs;</li> <li>- Updating unique client system with information for beneficiaries accepting/rejecting jobs;</li> <li>- Sending lists of employable beneficiaries for requalification and further qualification to VET.</li> </ul>	<p><b>Labour market needs assessment - LECs and the business sector</b></p> <ul style="list-style-type: none"> <li>- Preparing lists of companies and needs for workers in the next half year;</li> <li>- Preparing lists of skills and workers’ profile needs;</li> <li>- Sending lists to ECs.</li> </ul> <p><b>Retraining and requalification of the employable GMI beneficiaries</b></p> <ul style="list-style-type: none"> <li>- In coordination with ESA, organizing requalification and retraining process for the GMI beneficiaries</li> <li>- Sending lists of requalified and retrained beneficiaries to PES</li> </ul> <p><b>Affordable social services for GMI beneficiaries</b></p> <ul style="list-style-type: none"> <li>- Invest in accessibility and quality elevation of day-care centres and clubs (for elderly, disabled, street children, etc.), centres for homeless people, centres for victims of family violence, etc.</li> </ul>
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		Restructuring service delivery within MLSP	Coordination with	
			Employment Agency (ESA)	Service Other stakeholders
<b>Forms of regulation and implementation</b>	<b>Strategic level – formal orientation</b>	<ul style="list-style-type: none"> <li>➤ Regulation by Law</li> <li>➤ Monitoring and Evaluation strategy</li> <li>➤ Procedures for collaboration, coordination and communication within the MLSP</li> </ul>	<ul style="list-style-type: none"> <li>➤ Memorandum of Understanding;</li> <li>➤ Codes of Conduct;</li> <li>➤ Guidelines;</li> <li>➤ Procedures of communication and collaboration with CSWs, case workers and other stakeholders;</li> <li>➤ Agreements between ESA and stakeholders; ESA and CSWs;</li> </ul>	<ul style="list-style-type: none"> <li>➤ Partnership agreements, Pacts;</li> <li>➤ Multi-lateral contracts;</li> <li>➤ Public-private partnerships of various kinds.</li> </ul>
	<b>Operational level</b>	<ul style="list-style-type: none"> <li>➤ Regular meetings;</li> <li>➤ Monitoring and Evaluation implementation;</li> <li>➤ Implementation of the procedures.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Implementation of the procedures;</li> <li>➤ Informal daily communication;</li> <li>➤ Monthly meetings.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meetings between parties.</li> </ul>

*Source: Drafted by the authors with elements from Scoppetta et al. (2017)*

## 5. Good practices

While many good practices in the implementation of ICM, or GMI, or both, exist in the developed countries, this section presents a recent initiative of Finance Think whereby the ICM has been applied in the case of the social mentoring model. This is done given the phase of the reform of introducing GMI in Macedonia. Namely, GMI has not yet been introduced, with a provisional plan of introducing it in September 2018. Hence, referring to advanced good practices from developed countries may not be suitable at this time. In addition, developing and transition economies rarely offer related good practices.

Finance Think piloted the concept of social mentoring (the third proposed element of the ICM in the GMI case, see Table 1) during October 2016 – May 2017 in 5 regions in the country. The process of piloting was preceded by training for social mentoring for the employees of CSWs and ECs who were then involved as mentors, and with identification of unemployed persons at risk of social exclusion, who attended the training for the development of employability skills and were then involved as mentees. In the next phase, part of the trained unemployed persons continued to be mentored for employment preparation and social integration. Part of them, then were placed as interns in companies or got employment. The social mentoring model integrates social and employment services for people at risk of poverty in a one-stop-shop reintegration system. In our particular case, mentors were supposed to assess the specific needs of the mentee, prepare individual employment and social integration plans and potentially cooperate with the counterpart from SCW or EC so as the mentee finds the most suitable way to its fullest labor market and societal integration. The conducted internal impact evaluation following the completion of the initiative (Petreski and Mojsoska-Blazevski, 2017) found the program produced plausible results, particularly in terms of elevating the desire to work of the mentored individuals.

The social mentoring, understood as a domestic good practice, may serve an integrating element in the broad reform for introducing GMI through ICM in Macedonia.

## 6. Recommendation, challenges and shortfalls

This policy brief proposes to the Ministry of Labor and Social Policy to conduct the introduction of the Guaranteed Minimum Income scheme through the Integrated Case Management process in Macedonia. The two key substantive elements of this process are advised to be: first, the promotion of current social workers into case workers with portfolio composed of families – GMI beneficiaries, and whose key tasks involve field employment and societal integration work, rather than administrative work; and second, the daily and intense cooperation and coordination of the case workers with the employment officers of the Employment Service Agency, the VET schools and the business sector, so as to facilitate beneficiaries' smoother job placement, utilization of an active labor market measure, training, retraining, requalification and so on. At the legal level, the process should start by drafting and adopting new Social Protection Law, followed by drafting respective Procedures and Rules for the organization of the ICM.

There are two challenges in the implementation of GMI through the process of ICM in Macedonia, as outlined below.

First, the reform assumes that the work portfolio of the current social workers will shift with their upgrade to case workers, from predominantly administrative work (checking if all documents have been submitted) to field integration work. Along with their shift from program work to family work, this may assume significant restructuring of the current employees of CSWs, which may be burdened with the existing capacity and will for change, especially for social workers who are of older age and who work with CSWs for many years. In addition, such a shift may cause salary cost implications.

Second, the release of the current social workers from the administrative (front desk) work would certainly require additional staffing the CSWs, for the conduct of this work. The disadvantage of this is that it would press the budget of MLSP and hence the central budget with further staff costs, as well may further heat up the ongoing debate on the potentially oversized public administration. The advantage, however, is that the newly employed CSW staff would be pure administrators, hence requiring at most completed secondary high school. Hence, their salaries will fall considerably below the salaries of the current social workers.

The key shortfall of the proposed reform at this time is that, while it envisages elevation of the cooperation level between CSWs and ECs, it does not go for deeper integration of the social-assistance (MLSP, CSWs) and employment systems (ESA, ECs). Presently, such a proposal may be well beyond the human resource, IT and financial capacities of the respective institutions, as well would require significant political will. The advantage of such move, nevertheless, would be the economy of scale, in terms of staffing and financial resources.



## 7. References

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Social cohesion in the Western Balkan economies is under constant risk. A weak social welfare state and the persistent and challenging economic situation create an unstable environment that could compromise and jeopardise the sustainable development of the Western Balkan societies.

A group of Western Balkan think-tank organisations and researchers working on the welfare state issues have initiated development of a Regional platform with the aim to engage the foremost researchers, political, business and other leaders of society to shape a regional social welfare state agenda, thus contributing to improving the social dimension of the European Integration in the Western Balkans.

The initiative intends to create added value through influencing existing processes which promote a sustainable reform agenda in the Western Balkan (such as economic governance and Economic Reform Programme, EU negotiation process, Employment and Social Reform Programmes, etc.). One of the outputs and tools of influence is initiating and holding of an annual event to discuss the *Future of the Welfare State in Western Balkan*.

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